



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FINAL MANAGEMENT REPORT

VENTERSDORP LOCAL MUNICIPALITY

2012-06-30



MANAGEMENT REPORT

VENTERSDORP LOCAL MUNICIPALITY

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FINAL MANAGEMENT REPORT TO THE ACCOUNTING OFFICER ON THE AUDIT OF THE VENTERSDORP LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2012

INTRODUCTION

1. Our responsibility is to express an opinion on the annual financial statements, to express a conclusion on the annual performance report in the management report and to report on material findings relating to compliance with specific requirements in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA. Our engagement letter sets out our responsibilities and the responsibilities of the accounting officer in detail.
 2. This management report includes audit findings arising from the audit of the financial statements, reporting on predetermined objectives and compliance with laws and regulations for the year ended 30 June 2012 which were communicated to management and includes their response to these findings. The report also includes information on the internal control deficiencies that were identified as the root causes for the matters reported. Addressing these deficiencies will assist in ensuring an improvement in the audit outcomes.
 3. The management report consists of an executive summary and detailed audit findings which are contained in annexure A, B and C.
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EXECUTIVE SUMMARY

SECTION 1: Meetings with oversight bodies and those charged with governance

1. During the audit cycle we met with key stakeholders to communicate matters relating to the audit outcomes of the Ventersdorp Local Municipality and emerging risks. Insight was provided on the drivers of the controls that impact these audit outcomes to enable corrective action to be taken.
2. Meetings were conducted as follows:
 - Municipal Public Accounts Committee: 01 October 2012
 - Accounting officer: 30 August 2012, 20 September 2012, 4 October 2012, 11 October 2012, 18 October 2012, 25 October 2012, 2 November 2012, 9 November 2012, and 14 November 2012
 - Audit committee: 16 August 2012, 19 October 2012
3. At these meetings commitments were made to address improvements in the internal control environment with the objective of achieving clean administration. The commitments given and the progress made on previous commitments are included under section 2, part F – Internal control.

SECTION 2: MATTERS RELATING TO THE AUDITOR'S REPORT**PART A – MISSTATEMENTS IN THE ANNUAL FINANCIAL STATEMENTS**

4. Material misstatements in the annual financial statements were identified during the audit. These misstatements were not prevented or detected by the Municipality's system of internal control. These material misstatements also constitute non-compliance with the MFMA, DoRA, Treasury Regulations, Supply Chain Management Regulations and others as applicable. The misstatements not corrected form the basis for the disclaimed opinion on the annual financial statements.

Material misstatements			Impact R current year	Impact R prior year
Financial statement item	Finding	Occurred in prior year ("Yes/ "No")		
Material misstatements not corrected				
Property, plant and equipment	Municipality has not adhered to GRAP 17 requirement to recognise each part of an item of property, plant and equipment separately with regard to infrastructure assets.	Yes	78 968 073	63 570 013
	Completeness, accuracy, occurrence, classification and cut-off of depreciation could not be verified as GRAP 3 requirements regarding reassessment of useful lives and impairment assessment has not been performed	Yes	5 362 762	5 828 282
	Completeness, valuation and allocation, existence and rights and obligations of property, plant and equipment could not be verified due to the following: <ul style="list-style-type: none">Assets in the fixed asset register were not bar-codedRevaluation / assessment of useful lives of assets were not performedAssets were not assessed for impairmentTitle deeds for land were not available / listing obtained from deeds office was not drawn as at 30 June 2012 and does not indicate the value of the property	Yes	113 255 376	97 816 046

	Land not accounted for separately	Yes	3 206 622	3 209 538
Receivable	Prior year error not corrected	Yes		6 766 437
	Completeness and valuation of consumer debtors could not be verified as interest was not levied on overdue accounts	No	2 081 001	-
	Overstatement of other receivables from non-exchange transactions as confirmation for debt was not received	No	311 199	-
	Limitation of scope: sufficient appropriate audit evidence could not be obtained to verify accuracy and completeness of service charges disclosed in the financial statements due to the following: <ul style="list-style-type: none"> No evidence was provided to ensure that consumption by indigent customers is not higher than the subsidies granted; and Application forms by indigent customers were not provided to confirm that these customers were entitled to the subsidy. Limitation of scope relating to revenue due in adequate meter readings and inadequate supporting documents regarding licence and permits. Refer to the heading revenue for details. 	No	15 305 665	-
Payables	Completeness of trade payables could not be verified due to the following: <ul style="list-style-type: none"> Invoices reflected on Supplier statement balances that were not accrued for at year end. Reconciliations not prepared due to statements not received from suppliers 	No	49 565 724	-
Inventories	Prior year error not corrected	Yes		1 103 250
	Completeness, Valuation and allocation, rights and obligations of inventories could not be verified due to inability to obtain sufficient appropriate audit evidence that all unsold properties held for resale had been identified and recorded.	No	1 313 947	

Leases	Limitation of scope - Occurrence, accuracy, valuation, existence and completeness of finance lease liabilities, property, plant and equipment, finance costs and the disclosure notes relating to leases could not be verified as we were unable to obtain sufficient appropriate evidence for finance leases that were renewed during the year.	Yes	1 662 780	3 995 198
VAT	Prior year VAT receivable not corrected	Yes		1 121 051
	Overstatement of VAT liability at year-end	No	5 005 546	
Provisions	Existence, completeness, valuation and rights and obligations of the provision for landfill site rehabilitation could not be verified as the basis for calculating the provision was incorrect	Yes	2 325 159	2 000 000
Accumulated Surplus	Valuation, rights and obligations, existence and completeness of accumulated surplus could not be verified due to the following: <ul style="list-style-type: none"> Supporting documents / journals with regard to corrections and adjustments processed to accumulated surplus were not provided Variances were identified between the accumulated surplus recalculated and the financial statements Prior period errors were incorrectly accounted for / lack of evidence provided with regard to prior period errors 	Yes	51 681 694	46 918 959
Grants	Prior year misstatement not corrected: During the prior year sufficient appropriate evidence for unspent conditional grants and receipts of R27 123 009 included in the unspent grant balance at year end was not obtained.	Yes		1 643 314

Long-term liabilities	Prior year error not corrected: During the prior year long term liabilities were overstated by R4 878 222. This was due to a difference between the amount disclosed and confirmations received from the Infrastructure Finance Corporation Limited (INCA).	Yes		4 878 222
Investment Property	Completeness, Valuation and allocation, rights and obligations of investment property could not be verified due to inability to obtain sufficient appropriate audit evidence that all investment property had been identified and recorded.	Yes	2 350 519	2 350 519
	Completeness and valuation of investment property could not be verified due to variances in the balances recorded in the Investment Property Register and the financial statements	No	1 663 519	-
Expenditure	Limitation of scope: Unable to obtain sufficient appropriate audit evidence regarding occurrence and accuracy of audit fees. The municipality's system did not permit the application of alternate audit procedures.	Yes		2 503 030
	Limitation of scope: I was unable to obtain sufficient appropriate audit evidence regarding occurrence, completeness, accuracy, classification and cut-off of bulk water purchases due to the municipality's system did not permit the application of alternate audit procedures.	Yes	5 952 782	721 332
	Limitation of scope: sufficient appropriate audit evidence could not be obtained to quantify the water and electricity distribution losses for the year	No	Cannot quantify	-
Revenue	Prior year misstatement not corrected – Government grants and subsidies	Yes		61 781 698
	Limitation of scope: sufficient appropriate audit evidence could not be obtained to verify occurrence, accuracy, cut-off, classification and completeness of licenses and	Yes	2 001 272	2 251 221

	permits as supporting documentation / receipts in respect of license fees requested were not received			
	Limitation of scope: sufficient appropriate audit evidence could not be obtained to verify accuracy and completeness of service charges disclosed in the financial statements due to the following: <ul style="list-style-type: none"> Meter readings were not taken for all customers during the year under review. 	No	32 809 030	-
Commitments	Overstatement of commitments –due to the contract amount being disclosed instead of outstanding balance of the contracted amount.	No	7 059 304	-
	Contracts approved and not disclosed	Yes	7 174 253	9 166 589
Contingent liabilities	Limitation of scope: sufficient appropriate audit evidence could not be obtained to verify occurrence, accuracy and valuation of contingent liabilities disclosed in the financial statements.	Yes		2 793 371
Unauthorised expenditure	Disclosure note incomplete and inaccurate- prior year misstatement	Yes	-	5 783 820
	Overstatement of unauthorised expenditure	No	2 488 407	
Irregular expenditure	Prior year misstatement not corrected	Yes		16 577 038
	Limitation of scope – selected quotations were not provided for audit	No	815 161	
	Understatement of irregular expenditure due to non compliance with SCM regulations identified (i.e. three written quotations were not obtained)	No	1 999 125	
Fruitless and wasteful expenditure	Prior year error not corrected	Yes		6 594 441
	Penalties and interest incurred on the INCA loan were not disclosed as fruitless and wasteful expenditure.	No	1 073 142	
Related Parties	Disclosure note incomplete	Yes	2 648 368	2 178 103



Cash Flow Statement	Cash flow statement inaccurate due to the following: <ul style="list-style-type: none"> Cash flow movements recalculated do not agree to the financial statements Calculations to support cash flow movements were not provided 	No	Cannot quantify	-
Material misstatements corrected				
Provisions	Valuation of retirement benefit obligation could not be verified due to incorrect assumptions used in the estimate	Yes	4 102 095	
Contingent liabilities	Limitation of scope: sufficient appropriate audit evidence could not be obtained to verify occurrence, accuracy and valuation of contingent liabilities disclosed in the financial statements.	Yes	6 258 000	-
Unauthorised expenditure	Overstatement of unauthorised expenditure	No	R24 627 779	

PART B – MATTERS TO BE BROUGHT TO THE ATTENTION OF THE USERS

EMPHASIS OF MATTER PARAGRAPHS

The following emphasis of matter paragraphs will be included in our auditor's report to draw the users' attention to matters presented or disclosed in the financial statements:

Restatement of corresponding figures

5. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during the preparation of the 30 June 2012 financial statements of the Municipality.

Material under-spending of the conditional grant

6. The Municipality has materially under-spent the conditional grants received for the year to the amount of R19 666 137. As a result the Municipality has not achieved its objectives of ensuring sustainable development with regards to water and sanitation priorities in the province as well as providing basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities and implementation of the National Electrification Programme (NEP) that would have been funded by these grants.
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ADDITIONAL MATTER PARAGRAPHS

The following additional matter paragraphs will be included in our auditor's report to draw the users' attention to matters regarding the audit, the auditor's responsibilities and the auditor's report:

Unaudited supplementary schedules

7. The supplementary information set out on pages 39 to 47 does not form part of the annual financial statements and is presented as additional information. These schedules have not been audited and an opinion is not expressed thereon.

PART C – CONCLUSION ON THE ANNUAL PERFORMANCE REPORT

Included below is our conclusion on the report on the annual performance report. All matters reported under the basis for conclusion and emphasis of matter will be included in the auditor's report.

REPORT ON PREDETERMINED OBJECTIVES

Introduction

8. I have audited the annual performance report of the Ventersdorp Local Municipality for the year ended 30 June 2012 as set out on pages ... to...

The accounting officer responsibilities

9. The accounting officer is responsible for the preparation and fair presentation of the annual performance report in accordance with the requirements of the applicable laws and regulations, relevant frameworks, circulars and guidance issued by the National Treasury regarding the planning, management, monitoring and reporting of performance against predetermined objectives, and for such internal control as management determines necessary to enable the preparation of annual performance report that is useful and reliable.

The Auditor-General's responsibilities

10. As required by sections 4 and 20 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), read with *General Notice 839 of 2011*, issued in *Government Gazette 34783 of 28 November 2011*, my responsibility is to prepare an audit conclusion on the annual performance report.
11. I conducted my audit in accordance with the International Standards on Assurance Engagements (ISAE) 3000: *Assurance engagements other than audits or reviews of historical information*.

I will report on whether I have received all the information and explanations required to conduct the engagement, or if I became aware of additional information, the omission of which may result in the annual performance report being materially misstated or misleading.

12. I provide limited assurance with respect to the usefulness of the information contained in the annual performance report.

I further provide limited assurance with respect to the reliability of the following selected material objectives as set out in the annual performance report:

- Basic Services; and
- Municipal Infrastructure

13. The criteria used as a basis for the audit conclusion are as follows:

Usefulness of information:

Presentation: Performance against predetermined objectives must be presented in accordance with section 46 of the Municipal Systems Act.

Consistency: Objectives, indicators and targets are consistent between planning and reporting documents as required by the National Treasury Regulations.

Measurability: Indicators are well defined and verifiable, and targets are specific, measurable and time bound, as required by the National Treasury *Framework for managing programme performance information*.

Relevance: The indicators/measures relate logically and directly to an aspect of the institution's mandate and the realisation of strategic goals and objectives, as required by the National Treasury *Framework for managing programme performance information*.

Reliability of information:

Validity: Reported performance has occurred and relates to the institution.

Accuracy: Amounts, numbers and other data relating to reported performance have been recorded and reported correctly.

Completeness: All actual performance that should have been recorded has been included in the reported performance information.

14. The audit involves performing procedures to obtain audit evidence about the usefulness of the annual performance report and reliability of the selected objectives as set out in the annual performance report. The procedures selected depend on the auditor's judgement, including our assessment of the risks of material misstatement of the annual performance report. Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some, even material, misstatements may not be detected, even though the audit is properly planned and performed in accordance with the ISAE 3000. The procedures performed include the following:
- Understanding and testing the internal policies, procedures and controls relating to the management of and reporting on performance information
 - Evaluating and testing processes, systems, controls and review of documentation in place at a detail level in the audited institution to support the generation, collation, aggregation, monitoring and reporting of the selected performance indicators and targets
 - Evaluating, testing and confirmation of the existence and consistency of planned and reported performance information as well as the presentation and disclosure thereof in accordance with applicable requirements and guidance
 - Conducting detailed audit testing and obtaining sufficient appropriate audit evidence to verify the validity, accuracy and completeness of reported indicators and targets.
15. I believe that the evidence obtained from the work performed provides an appropriate basis for the limited assurance conclusions expressed below.

Basis for adverse conclusions

Usefulness of annual performance report

Presentation

16. Improvement measures in the annual performance report for a total of 55% of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act. This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.
17. Section 46 of the Municipal Systems Act requires the disclosure of measures taken to improve performance in the annual performance report where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for 48% of the measures taken to improve performance as disclosed in the annual performance report. The Municipality's records did not permit the application of alternative audit. Consequently, I did not

obtain sufficient appropriate audit evidence to satisfy myself as to the validity, accuracy and completeness of the measures taken to improve performance.

Consistency

18. The Municipal Systems Act, section 41(c) requires that the integrated development plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 56% of the reported targets are not consistent with the targets as per the approved IDP. This is due to the lack of internal policies and procedures over the processes pertaining to the reporting of performance information.

Measurability

19. The National Treasury *Framework for managing programme performance information (FMPPPI)* requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 37% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the *FMPPPI* but did not receive the necessary training to enable application of the principles.
20. The National Treasury *Framework for managing programme performance information (FMPPPI)* requires that performance targets be measurable. The required performance could not be measured for a total of 33% of the targets. This was due to the fact that management was aware of the requirements of the *FMPPPI* but did not receive the necessary training to enable application of the principles.
21. The National Treasury *Framework for managing programme performance information (FMPPPI)* requires that the time period or deadline for delivery be specified. A total of 22% of the targets were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management was aware of the requirements of the *FMPPPI* but did not receive the necessary training to enable application of the principles.
22. The National Treasury *Framework for managing programme performance information (FMPPPI)* requires that it must be possible to validate the processes and systems that produce the indicator. A total of 44% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection/collation/verification/storage of actual performance information.

Reliability of selected programmes or objectives in the annual performance report

23. Reported performance not accurate, valid and complete

Basis for disclaimer conclusion

24. The National Treasury *Framework for managing programme performance information (FMPPPI)* requires that processes and systems which produce the indicator should be verifiable. I was unable to obtain all the information and explanations I considered necessary to satisfy myself as to the validity, accuracy and completeness of the actual reported performance of basic services and municipal infrastructure. This was due to lack of records management system and the institution's records not permitting the application of alternative audit procedures.

Conclusions

25. On the *usefulness of the annual performance report on which I am required to express limited assurance.*

Adverse Conclusion

Based on the work described in this report and because of the significance of the matters described in the basis for adverse conclusion paragraphs, the annual performance report is not useful in accordance with the predetermined criteria

26. On the reliability of the selected programmes or objectives on which I am required to express limited assurance.

Disclaimer conclusion

Because of the significance of the matter described in the basis for disclaimer conclusion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for a conclusion. Accordingly, I do not express a conclusion on the selected objectives set out in the annual performance report.

Additional matter

27. I draw attention to the matter below. My conclusion is not modified in respect of this matter:

Achievement of planned targets

28. Of the total number of 118 targets planned for the year, 73 targets were not achieved during the year under review. This represents 62% of total planned targets that were not achieved during the year under review.

This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Audit findings in auditor's report

29. All audit findings included under the "Basis for conclusions" and "Additional matter" sections of this report, will be reported in the auditor's report.

PART D – FINDINGS ON COMPLIANCE WITH LAWS AND REGULATIONS

Included below are material findings of non-compliance with specific requirements in key applicable laws and regulations. The detailed findings on compliance deviations are included in the annexure to this report and are classified as either "Matters affecting the audit report" or "Other important matters" depending on the impact of the finding.

Budgets

30. The municipality incurred expenditure that was not budgeted for in contravention of section 15 of the MFMA. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section [15 / 87(8)] of the Municipal Finance Management Act.
31. The Accounting Officer did not report in writing to the municipal council any impending or actual shortfalls in budgeted revenue, overspending of the municipality's budget and steps taken to rectify such financial problems as required by section 70(1) of the MFMA.

Annual financial statements, performance and annual report

32. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimer opinion.
33. The 2010/11 annual report was not tabled in the municipal council within seven months after the end of the financial year, as required by section 127(2) of the Municipal Finance Management Act.

34. The accounting officer did not make the 2010/11 annual report public immediately after the annual report was tabled in the council, as required by section 127(5)(a) of the Municipal Finance Management Act.
35. The annual performance report for the year under review does not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(c) of the Municipal Systems Act.

Audit committees

36. The municipality did not submit the financial statements for review to the audit committee. As a result the audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the entity, its efficiency and effectiveness and its overall level of compliance with the MFMA, DoRA and (other applicable legislation), as required by section 166(2)(b) of the Municipal Finance and Management Act.
37. The municipality did not submit quarterly performance reports to the audit committee. As a result the audit committee did not review the municipality's performance management system and make recommendations to the council], as required by Municipal Planning and Performance Management Regulation 14(4)(a)(ii).

Procurement and contract management

38. Sufficient appropriate audit evidence could not be obtained that all quotations were awarded in accordance with the legislative requirements and a procurement process which is fair, equitable, transparent and competitive, as selected quotations were not provided for audit.
39. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
40. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy.
41. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
42. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).

Human resource management and compensation

43. Senior managers directly accountable to the municipal manager did not sign annual performance agreements within one month of the beginning of the financial year, as required by sections 57(2)(a) of the MSA.

Expenditure management

44. Money owing by the Municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA and TR 8.2.3.
45. The accounting officer did not take reasonable steps to prevent unauthorized, irregular and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
46. The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA.

Transfer of funds and/ or conditional grants

47. The municipality did not evaluate its performance in respect of programmes funded by the allocation and /or submit the evaluation to the transferring national officer within two months after the end of the financial year, as required by section 12(6) of the Division of Revenue Act.
48. Quarterly reports were not submitted to the transferring national officer and the National Treasury on municipal performance for the quarter against the targets stipulated in the

infrastructure performance framework, within 30 days after the end of each quarter, as required by section 11(2)(c)(ii) of the Division of Revenue Act.

49. The municipality did not submit a draft performance framework submitted by 30 March 2011, the final approved performance framework by 07 June 2011 and proof that the performance framework and the performance targets have been ratified by a municipal council resolution prior to receipt of its first instalment of the grant allocation, as required by the Division of Revenue Grant Framework, Gazette No.34280.
50. The municipality did not submit the 2010/11 annual reports to National Treasury by 15 December 2011, as required by the Division of Revenue Grant Framework, Gazette No.34280.
51. Unspent conditional grant funds not approved by the National Treasury for retention, were not surrendered to National Revenue Fund, as required by section 20(1) of the Division of Revenue Act.

Revenue management

52. Interest was not charged on all arrears accounts as required by section 64(2)(g) of the Municipal Finance and Management Act.
53. The accounting officer did not take effective and appropriate steps to timeously collect all money due to the Municipality as per the requirements of TR 11.2.1.

Asset management

54. An adequate management, accounting and information system which accounts for assets was not in place, as required by section [63(2)(a) / 96(2)(a)] of the Municipal Finance Management Act.

Waste management

55. The municipality operated their waste disposal site without a waste management license or permit, in contravention of section 20(b) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) (NEMWA) and section 20(1) of the Environmental Conservation Act, 1989 (Act No. 73 of 1989).
 56. The municipality's waste management and disposal activities contravened or failed to comply with the requirements of section 28(1) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) and sections 16(1)(c)&(d) and 26(1)(b) of the NEMWA.
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PART E – INTERNAL CONTROL













IMPLEMENTATION OF THE DRIVERS OF INTERNAL CONTROL

57. The implementation of effective internal control helps in the achievement of important objectives and sustained and improved performance. Objectives are derived from the regulatory environment and fall into the following categories:

- Operations – Effectiveness and efficiency of operations including goals for operational and financial performance and safeguarding resources against loss (financial and performance management)
- Reporting – Pertaining to the reliability of reporting including internal and external reporting of financial and non-financial information
- Compliance – Pertaining to compliance with laws and regulations.

58. Objectives are driven by the mandate and the mission and vision of the organisation. Setting objectives is a prerequisite to internal control and a key part of strategic planning.
59. Internal control is a multi-dimensional iterative process of ongoing tasks and activities, affected by the people not just policies and systems, which provide assurance concerning the achievement of objectives. The fundamental principles contained in the drivers of internal control below must be present and operate together in order for the system of internal control to be effective.
60. For purposes of focusing corrective action, the principles of the different components of internal control have been categorised under leadership, finance and performance management and governance. These are the drivers of internal control.
61. The leadership of an organisation sets the tone from the top regarding the importance of internal controls and expected standards of conduct. This establishes the control environment which is the foundation for the other components of internal control and provides discipline, process and structure. In order to establish what control activities (e.g. policies and procedures) are required to ensure achievement of the control objectives a risk assessment should be conducted. The availability of accurate and complete information and the communication of information, another component of internal control, are required to carry out the day-to-day internal control activities. Thereafter there should be ongoing monitoring of activities (good governance) to ascertain whether all components of internal control are present and functioning.
62. When internal control is effective, management and those charged with governance have reasonable assurance that operations are managed effectively and efficiently, financial and non-financial reporting is reliable and laws and regulations are complied with.
63. Below is our assessment of the implementation of the drivers of internal control based on significant deficiencies identified during our audit of the financial statements, the annual [performance report / insert name of performance report] and compliance with laws and regulations. Significant deficiencies occur when internal controls either do not exist or are not appropriately designed to address the risk or are not implemented and which either had or could cause the financial statements or the annual [performance report / insert name of report] to be materially misstated and material non-compliance with laws and regulations to occur.
- When the required preventative or detective controls are in place, it is assessed with a 😊, when progress on the implementation of such controls were made but improvement is still required, it is assessed with a 😐, while 😞 indicates that internal controls are not in place and intervention is required to design and implement appropriate controls. The movement in the status of the drivers from the previous year-end to the current year-end assessment is indicated, collectively for each of the three audit dimensions under the three fundamentals of internal control, with a ↑ (improved), ↔ (unchanged) or a ↓ (regressed). The matters that gave rise to the below assessment will be included in the auditor's report.

The audit dimensions Fundamentals of internal control	Financial	Performance objectives	Compliance with laws and regulations
Leadership			
Movement from previous assessment			
• Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity			
• Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls			
• Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored			
• Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities			
• Develop and monitor the implementation of action plans to address internal control deficiencies			
• Establish an IT governance framework that supports and enables the business, delivers value and improves performance			
Financial and performance management			
Movement from previous assessment			
• Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting			
• Implement controls over daily and monthly processing and reconciling of transactions			
• Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information			
• Review and monitor compliance with applicable laws and regulations			
• Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information			
Governance			

Movement from previous assessment			
• Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored			
• Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively			
• Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations			

LEADERSHIP

Effective leadership

64. Deviations from the entity's expected standards of conduct are not identified and remedied in a timely and consistent manner. Management does not promote a culture of protecting and enhancing the best interest of the entity which is evident from a lack of action taken to implement corrective action, train and develop staff, and hold individuals accountable for non-compliance.
65. The accounting officer did not implement an effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored as there were numerous vacancies of key positions in the municipality. An effective organisational structure for placing appropriately skilled people is not in place.

Oversight responsibility

66. The accounting officer does not review the monthly reports or the financial statements and the annual performance report prior to their submission for audit and thus material misstatements were identified in the annual financial statements that were not corrected.
67. Management did not develop processes and procedures to ensure that the financial accounting system provides quality, reliable and credible financial reports which are supported by appropriate and adequate supporting documentation. As a result material differences were noted between total amount per listings submitted for audit and the amounts in the financial statement. These matters were also reported in the previous year.
68. The accounting officer did not evaluate and monitor timely whether the Municipality's action plan is adequate and effective to address prior year internal and external audit findings to enable the Municipality to achieve a clean financial administration. A number of findings were repeated in the current year.
69. The unavailability of key personnel during the course of the audit impacts on the effectiveness of the audit. Despite numerous requests for key personnel to be available to attend to audit queries, there were a number of instances where Management was not available during the audit.

Human resource management

70. An assessment of human resource management has identified the following deficiencies:

Human resource planning and organisation

- A human resource plan based on the strategic plan of the Municipality was not in place.
- The Municipality did not adequately determine the gap between the existing and required human resources and the actions necessary to address the gap.
- Job descriptions did not exist for each post or group of posts.

Management of vacancies

- The overall vacancy rate decreased from 101 vacant positions in the previous year to 80 vacant positions in the current year.
- The senior management vacancy rate increased from 5 vacant positions in the previous year to 6 vacant positions in the current year.
- Positions in senior management for three positions were identified to be vacant for more than 12 months.

Appointment processes

- Instances were identified where new appointees did not have the required qualifications and experience for the position.
- Instances were identified where the prescribed selection and approval processes were not followed for all appointments.
- The verification process for new appointments did not always take place and did not cover qualification verifications.

Performance management

- Performance agreements for three of the senior managers that were in the employment of the Municipality at the beginning of the financial year were not signed within one month of the beginning of the financial year.
- Inadequate processes in place to evaluate the performance of employees against the entity's expected standards of conduct.

Leave administration

- Instances were identified where required medical certificates were not submitted for sick leave.
- Processes and procedures were not in place to monitor leave taken as supporting documents were not submitted as evidence for leave days taken

Policies and procedures

71. Management does not have documented policies and procedures to guide the operations of the Municipality, resulting in numerous instances of non-compliance with the MFMA, as detailed under the "findings on compliance with laws and regulations" section of this report.
72. Ventersdorp Local Municipality did not have documented and approved internal policies and procedures to address the process of collection, recording, processing, monitoring and reporting of performance information
73. Management have not implemented procedures and processes for backup management for Venus and Payday due to a lack of IT resources for management of the vendor responsible for the applications.

74. Management have not defined, approved and implemented a change management procedure and processes due to the lack of IT resources. Additionally, the lack of resources has led to vendor programmer access to the production environment.
75. Management have not defined IT security procedures, processes and resources due to a lack of IT resources
76. Management have not defined, approved, implemented and tested a disaster recovery plan due to lack of IT resources.
77. Management have not implemented environmental controls for the server room due to a lack of IT skills and budgetary constraints.

Action plans to address internal control deficiencies

78. The Municipality developed a plan to address internal and external audit findings, but adherence to the plan is not monitored on a timely basis by the appropriate level of management. Majority of the actions identified are still in progress and the review date for follow up of the status of implementation of actions was only in September 2012. This resulted in the majority of the previous audit findings not being addressed.

IT governance framework

79. Management have not implemented controls around the governance of IT infrastructure, resources and vendors due to a lack of skills and budgetary constraints.

FINANCIAL AND PERFORMANCE MANAGEMENT

Record management

80. As indicated in our engagement letter, we agreed that all information requested for purposes of the audit would be submitted within 03 working days of the request by the auditors. Despite this agreement, management in some instances did not supply the documentation requested within the agreed timelines.
81. The Municipality has not designed and implemented formal controls in the Venus system to ensure the availability, reliability, accuracy and protection of information including an audit trail. Different systems are used to record transactions (Venus) and to prepare the year-end financial statements (Caseware) resulting in a significant number of differences identified by the audit.

Daily and monthly processing and reconciling of transactions

82. Management did not implement the following daily and monthly controls as designed for the entity's business processes
 - Monthly reconciliations on all balances were not prepared
 - Monthly reconciliations of creditors statements to creditors sub-ledger were not performed

Regular, accurate and complete financial and performance reports

83. As indicated in section 2, part A of this report, the financial statements contained numerous misstatements that were not corrected. This was mainly due to staff members not fully understanding GRAP reporting requirements. The annual financial statements were prepared by Consultants and were not reviewed by Management prior to submission for audit.

Compliance monitoring

84. Management has not implemented a process to monitor compliance with laws and regulations on a regular basis resulting in numerous non compliance matters reported. This is mainly due to prior years' audit recommendations not addressed.

IT systems

85. Management have not documented, approved and implemented a user account management procedure and processes for terminating access and resetting passwords for the Venus and Payday applications and the domain due to a lack of commitment from resources.
86. Management do not perform periodic reviews of user access and logon violations for Venus, Payday and the domain due to a lack of IT resources.

GOVERNANCE

Risk management activities and risk strategy

87. Legislation requires that a risk assessment be conducted on a regular basis and that a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i)/95(c)(i) of the MFMA. The Municipality has not implemented its Fraud Prevention Plan. The Municipality did not conduct a risk assessment as required by the MFMA. Consequently, a number of control deficiencies were identified. These include a failure to:
 - Comply with all the Supply Chain Management regulations; and
 - Prepare monthly reconciliations on all balances.

Internal audit

88. The Municipality had a functioning internal audit function during the year

Audit committee

89. Although the audit committee met prior to the submission of the annual financial statements and annual performance report for auditing on 31 August, however they did not review the adequacy, reliability and accuracy of the financial statements as well as the annual performance report. This was due to Management not preparing the financial statements timely to provide the Audit Committee time for review.

SUMMARY

90. The matters above, as they relate to the basis for disclaimer of opinion, findings on the annual performance report and findings on compliance with laws and regulations, will be summarised in the auditor's report as follows:

Leadership

91. Effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the interests of the entity was not provided due to various misstatements identified regarding financial statements, internal controls, predetermined objectives and compliance.
92. Oversight responsibility exercised was inadequate regarding financial and performance reporting, compliance and related internal controls since various material misstatements were identified and various non-compliance issues occurred.
93. The accounting officer did not implement an effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored as there were numerous vacancies of key positions in the municipality. An effective organisational structure for placing appropriately skilled people is not in place.
94. Adequate policies and procedures were not established and communicated to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
95. Inadequate development and monitoring of the implementation of action plans to address internal control deficiencies identified throughout the audit processes.
96. An IT governance framework that supports and enables the business, delivers value and improves performance was not established of since proper reconciliations were not performed when the new system was implemented and access to the system was not possible throughout the audit process.

Financial and performance management

97. Proper record keeping was not adequately implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting resulting from several documentation not provided for audit purposes, misstatements identified pertaining to the financial statements and deficiencies regarding compliance with laws and regulations and predetermined objectives.
98. Controls over daily and monthly processing and reconciling of transactions pertaining to financial, performance reporting and compliance was not implemented sufficiently as result of several misstatements and deficiencies identified.
99. Regular, accurate and complete financial and performance reports are not prepared sufficiently and are not supported and evidenced by reliable information. This is as a result of the fact that basic information could not be provided for audit purposes on request.
100. There is not sufficient review and monitoring of compliance with applicable laws and regulations as there were material non-compliance with legislative requirements regarding the balances and transactions in the financial statement and reported performance against predetermined objectives.

Governance

101. There was no implementation of appropriate risk management activities to ensure regular risk assessment, management and reporting since no risk assessment was performed during the financial year and throughout the understanding of the internal controls of the entity.
102. The municipality did not ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations as the annual financial statements were not submitted to the audit committee for review.

PART F – STATUS OF IMPLEMENTATION OF COMMITMENTS AND RECOMMENDATIONS

103. Below is our assessment of the progress on commitments made by the accounting officer to address audit outcomes of the prior year (as per the action plan submitted).
104. In general, commitments to recommendations made to achieve clean administration are in progress of implementation due to slow implementation of the action plan to address findings raised in prior years.

No	Commitment	Made by	Date	Status
1	Fixed Asset Register (completeness, assessment of useful lives, impairment assessment, investment property and land)	Accounting Officer	In progress – no date committed	In progress
2	Recognition of provisions	Accounting Officer	June 2012	In progress
3	Grants – monthly reconciliations not performed	Accounting Officer	In progress – no date committed	Complete
4	Employee costs – Enforce adherence to Recruitment and Selection Policy	Accounting Officer	Implemented	Not addressed
5	SCM – Goods and services procured according to SCM regulations and MFMA.	Accounting Officer	Implemented	Not addressed
6	Compliance with laws and regulations – Management to an effective compliance framework	Accounting Officer	April 2012	Not addressed

PART G – INVESTIGATIONS / OTHER AUDITS

INVESTIGATIONS

Investigations by the Hawks as well as the SIU which were commissioned by the Presidency are currently in progress. However, the nature and reports related to these investigations are currently not available as none have been provided by these investigating agencies to management.

SECTION 3: SPECIFIC FOCUS AREAS**PART A – SIGNIFICANT FINDINGS FROM THE AUDIT OF PROCUREMENT AND CONTRACT MANAGEMENT**

105. The audit included an assessment of procurement processes, contract management and the related controls in place. To ensure a fair, equitable, transparent, competitive and cost-effective SCM system, the processes and controls need to comply with legislation and minimise the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices. A summary of the findings from the audit are as follows:

Limitations on audit

Sufficient appropriate audit evidence could not be provided that 48 of selected quotations accepted (hereinafter referred to as “awards”) to the value of R815 161 were made in accordance with the requirements of the SCM legislation. No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular. Restrictions were also placed on the auditors to assess specific matters, the detail of which is listed below.

The reasons for the limitations experienced were due to an incorrect register submitted for audit; as a result samples had to be reselected. Supporting documents for the sample that was reselected were not submitted timely. As a result of the limitations experienced, the findings reported in the rest of this section might not reflect the true extent of irregularities and SCM weaknesses.

Awards to persons in the service of the state

SCM Regulation 44 prohibits awards to persons or to entities owned/ managed by them if they are in service of the auditee (i.e. employees and councillors) or if they are in service of any other state institution. The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to.

The findings were as follows:

Finding	Number and value of awards made	Number of officials / councillors	Number of providers	Further non-compliance or irregularities regarding the awards			
				Provider did not submit declarations of interest	Provider did not-declare interest (declaration submitted)	Officials/ councillors did not declare interest	Official/ councillor was involved of in the procurement of the award
Awards to officials of other state institutions	R2 988 045	6	6	Limitation as documents were not submitted for audit			

Awards to close family members of persons in the service of the state

Awards to providers owned/ managed by persons that are close family members of persons in the service of the state, whether at the municipality or any other state institution, are not prohibited. However such awards of more than R2 000 must be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM Regulation 45. The audit included the identification of awards to close family members. Further

testing was also performed to determine whether the financial statement disclosure was made and the legislated requirements with regards to declarations of interest were adhered to.

The findings were as follows:

- Close family members of 2 employees have an interest in awards made to the value of R114 884. One of these employees did not declare their interest.
- These awards to close family members, amounting to R114 884, were not disclosed in the financial statements.
- One provider in which close family members had an interest in awards to the value of R30 000 did not submit their declarations of interest.

Procurement processes

The following findings on procurement processes result from the testing of 5 contracts with a total value of R23 859 152 and 46 price quotations with a total value of R1 201 593.

List of accredited prospective providers (MFMA)

- The following shortcomings in administration of the list of accredited prospective providers were identified:
 - a. Prospective providers were not invited for listing on the municipality's database for the 2011/12 financial year.

Procurement process – Quotations

- Twenty awards to the total value of R1 991 925 were procured without inviting at least three written price quotations from prospective suppliers and the deviation was not approved by a properly delegated official.
- The preference point system was not applied in the procurement of awards between R30 000 and R200 000.
- Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per requirements of Municipal SCM regulation 13(c).

Internal control deficiencies

Below is a short summary of the most important internal control deficiencies that should be addressed to improve procurement and contract management

- The municipality does not have a written delegation of authority that sets out powers delegated to officials and committees and provides detail on the thresholds/ conditions and limitations applicable to the delegation.
- The municipality does not have a plan for addressing internal and external audit findings on SCM, and thus actions for addressing internal controls deficiencies with clear time frames and responsibilities appropriately are not properly designed.
- Although the municipality has a contract register in place to record awards however there are no controls in place to monitor progress, performance of the contractors and expenditure on the contracts.
- The assessment of the risk related to procurement and contract management was not performed and therefore risks relating to SCM were not identified and addressed.

PART B – FINANCIAL SUSTAINABILITY

106. Management is responsible for the sound and sustainable management of the affairs of the Municipality and to implement an efficient, effective and transparent financial management system for this purpose, as regulated by the MFMA.

107. Our audit included a high-level assessment of selected financial indicators as at year-end. The purpose of the assessment is to provide management with an overview of financial indicators to enable timely remedial action where financial health and service delivery may be at risk. The information should be used to complement rather than be a substitute for management's own financial assessment.

108. The entity's financial indicators have been assessed according to the following areas and are set out in the table below:

- budgets
- expenditure management
- conditional grants
- revenue management
- asset and liability management

The analyses on which the information in the table is based are contained in annexure D. The table is followed by overall high-level comments on the risks posed by the assessment of the financial indicators.

FINANCIAL INDICATORS AS AT 30 JUNE 2012					
(Limitation = unable to obtain sufficient appropriate information)					
BUDGETS					
1.1	Percentage over-spending of the final approved operating expenditure budget.	Not over-spent	% over-spent	Limitation	
			8.7%		
1.2	Percentage under-spending of the final approved capital budget.	Not under-spent	% under-spent	Limitation	
			40.5%		
EXPENDITURE MANAGEMENT					
2.1	Creditor-payment period.	Days		Limitation	
		320			
CONDITIONAL GRANTS					
3.1	Percentage under-spending of conditional grants received.	Not under-spent	% under-spent	Limitation	
			52.2%		
3.2	Percentage by which unspent conditional grants received exceed cash available at year-end.	Bank in overdraft	Not exceeded	% exceeded	Limitation
				26.2%	
REVENUE MANAGEMENT					
4.1	Debtor-collection period (before impairment).	Days		Limitation	
		334			
4.2	Debtor-collection period (after impairment).	Days		Limitation	
		209			
4.3	Percentage of debtors written-off.	% debtors impaired		Limitation	
		37.3%			
4.4	Percentage of revenue not collected. (Bad debt written-off.)	% revenue not collected		Limitation	

FINANCIAL INDICATORS AS AT 30 JUNE 2012				
(Limitation = unable to obtain sufficient appropriate information)				
			28.7%	
4.5	Percentage water losses incurred.	% water losses		Limitation
				✓
4.6	Percentage electricity losses incurred.	% electricity losses		Limitation
				✓
ASSET AND LIABILITY MANAGEMENT				
5.1	A deficit for the year was realised (total expenditure exceeded total revenue).	No	Yes	Limitation
		✓		
5.2	A net current liability position was realised (total current liabilities exceeded total current assets).	No	Yes	Limitation
			✓	
5.3	A net liability position was realised (total liabilities exceeded total assets).	No	Yes	Limitation
		✓		
5.4	The year-end bank balance was in overdraft.	No	Yes	Limitation
		✓		
5.5	Percentage of PPE and / or intangible assets impaired.	% PPE and intangible assets impaired		Limitation
		0%		
5.6	Percentage of loan receivables (loans awarded) and/or investments impaired.	% loans and investments impaired		Limitation
		0%		
5.7	Long-term debt to operating cash flow ratio.	Negative/no cash flows	Long-term debt to cash flow ratio	Limitation
			0.7	
5.8	Employee benefit obligations to operating cash flow ratio.	Negative/no cash flows	Employee benefit obligations to cash flow ratio	Limitation
			0.1	

109. Based on the above analysis, the Municipality is not in a healthy financial position. Timely payment to creditors is critical as it affects service delivery and may result in fruitless and wasteful expenditure due to interest charged by creditors for late payment. To sustain their cash flow, the Municipality has to adequately monitor the current processes put in place to collect outstanding debts.

PART C – CONSULTANTS



110. Consultants (PricewaterhouseCoopers and Maseng Viljoen) were appointed by the Provincial Treasury to prepare the annual financial statements for the Municipality. PricewaterhouseCoopers commenced work on the annual financial statements on 23 July 2012 and Maseng Viljoen on 17 July 2012.
111. The consultants were not appointed in terms of a re-curing appointment. The service level agreement for preparation of the financial statements is between the provincial treasury and the consulting firm. The costs for the preparation of the financial statements are borne by Provincial Treasury and not the municipality.
112. The overall assessment of the impact of the assistance provided by consultants is that skills transfer was not effective. This was evidenced by the inability of Management to provide responses to audit queries raised on the annual financial statements, as well as the limited time-frame in which the Consultants had available to finalise the annual financial statements, therefore skills transfer this was scoped out for the 2011/2012 financial year.

PART D – FRAUD

113. The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance. We are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Due to the inherent limitations of an audit there is a risk that some material misstatements including fraud may not be detected. Below is a summary of matters that indicate a risk of occurrence of fraud:
- The Municipality has not undertaken a risk assessment to assess any risks of fraud and has not implemented its fraud prevention plan, as required by legislation. The following audit findings indicate that the deficiencies in the respective controls would not prevent or detect fraudulent activities:
 - The Municipality does not have adequate controls relating to changes in authorised signatories at banking institutions.
 - Significant findings were noted from the audit of procurement and contract management as detailed in Section 3, part A of this report.
 - No framework is in place for the withdrawal of cash from bank accounts. Consequently, the withdrawal of cash from bank accounts has been excessive. Furthermore, no supporting documentation was provided to support the cash withdrawals made.

SECTION 4: EMERGING RISKS

Accounting and compliance matters

114. The ASB has issued the following 12 additional Standards of GRAP:
- GRAP 18 *Segment reporting*
 - GRAP 20 *Related-party disclosures*
 - GRAP 21 *Impairment of non-cash-generating assets*
 - GRAP 23 *Revenue from non-exchange transactions (Taxes and transfers)*
 - GRAP 24 *Presentation of budget information in financial statements*
 - GRAP 25 *Employee benefits*
 - GRAP 26 *Impairment of cash-generating assets*
 - GRAP 103 *Heritage assets*
 - GRAP 104 *Financial instruments*
 - GRAP 105 *Transfers of functions between entities under common control*
 - GRAP 106 *Transfers of functions between entities not under common control*
 - GRAP 107 *Mergers*

The Minister of Finance prescribed an effective date of 1 April 2012 in the *Government Gazette* for those Standards of GRAP on the above list that are highlighted in grey. No effective date has been set for the remaining six Standards of GRAP.

Currently the finance unit does not have the necessary skills and competency to implement the requirements of the above GRAP standard (if required).

115. New pronouncements/requirements/ legislation

Municipal regulations on minimum competency level

Minimum competency regulations were issued on 15 June 2007. As per regulation 15 and 18, all municipalities must ensure that their staff complies with the competency requirements with effect from 1 January 2013. This means that the requirements are not yet applicable for the financial year 2011-12 (financial period ending 30 June 2012). However, municipalities will need to start aligning their recruitment policies to the regulations and put measures in place to ensure that they comply with the requirements by 1 January 2013. New framework for strategic and annual performance plans (consider implications).

- The National Treasury *Framework for strategic plans and annual performance plans* was fully effective from 1 April 2012. The Municipality should implement processes for monitoring compliance with the requirements of the framework on a quarterly basis.

Subsequent events

116. While performing procedures to determine whether all adjusting subsequent events have been included in the financial statements, no subsequent events were identified.

SECTION 5: RATINGS OF DETAILED AUDIT FINDINGS

106. For the purposes of this report, the detailed audit findings included in annexures A to C have been classified as follows:

- Matters to be included in the auditor's report - These matters should be addressed as a matter of urgency.
- Other important matters – These matters should be addressed to prevent the likelihood that these matters may in future lead to material misstatements of the financial statements, material findings on predetermined objectives and compliance with laws and regulations.
- Administrative matters – These matters are unlikely to result in material misstatements of the financial statements, material findings on predetermined objectives and compliance with laws and regulations.

SECTION 6: CONCLUSION

107. The matters communicated throughout this report relate to the three fundamentals of internal control which should be addressed to achieve sustained clean administration. The AGSA staff remain committed to assisting in the process of identifying and communicating good practices to improve governance and accountability, so as to build public confidence in government's ability to account for public resources in a transparent manner.

Yours sincerely

Mbali Dlamini
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CEO
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Audit committee
Head of internal audit

SECTION 7: SUMMARY OF DETAILED AUDIT FINDINGS

Page. no.	Finding	Classification					Rating			Number of times reported in previous 3 years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with laws & regulations	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		
	Compliance - Annual Report 2010/2011 (Non-compliance to MFMA requirements)			✓			✓			3	Not addressed
	Financial Statements - Statement of Changes in Net Assets not fairly presented	✓					✓			3	In progress
	Understatement of trade payables at year end as invoices reflected on Supplier statements were not accrued for	✓					✓			N/A	N/A
	No approved Fraud Prevention Plan			✓				✓		3	Not addressed
	Compliance - Draft 2011/2012 Annual Report does not comply with MFMA requirements			✓					✓	N/A	N/A
	Authorised signatories on the Bank Accounts were not updated				✓				✓	N/A	N/A
	Annual Financial Statements - Related Party Disclosure inadequate	✓					✓			1	Not addressed
	Annual Financial Statements -Investment Property not fairly presented	✓					✓			3	Not addressed
	Annual Financial Statements - Prior year error not disclosed in accordance with GRAP 3	✓					✓			1	Not addressed
	Compliance - Budgets do not comply with MFMA requirements			✓			✓			3	Not addressed
	Inadequate Cash Management and Investment policy				✓				✓	N/A	N/A

Compliance - HR Management (Non-compliance to MSA regulations)			✓			✓		3	Not addressed
Compliance - Non-compliance with the Property Rates Act			✓			✓		2	Not addressed
Contingent Liabilities Disclosure insufficient	✓					✓		N/A	N/A
No investigations conducted on unauthorized, irregular, fruitless and wasteful expenditure incurred during the year			✓			✓		3	Not addressed
A register detailing unauthorised, irregular, fruitless and wasteful expenditure is not maintained throughout the year				✓			✓	N/A	N/A
Suppliers not paid in 30 Days			✓			✓		3	Not addressed
Variance in Investment Property balances	✓					✓		N/A	N/A]
Property identified that was not included in the Investment Property or Inventory Registers	✓					✓		3	
AOPO: Planned targets not measurable		✓				✓		N/A	N/A
AOPO: Planned targets not time-bound		✓				✓		N/A	N/A
Grants - Information requested not received	✓						✓	N/A	N/A
Annual Financial Statement - Disclosure of retirement benefit obligation not adequate	✓						✓	N/A	N/A
Compliance - Shifting of Funds			✓			✓		N/A	N/A
Compliance - Request for information (Unforeseen / unavoidable expenditure)			✓				✓	N/A	N/A
Compliance - Non-compliance to DoRA 11(2)(c) Transfer of funds and / or conditional grants			✓			✓		3	Not addressed
Policy and procedure for handling petty cash could was not complied with				✓			✓	N/A	N/A
Compliance - Monthly Budget Statements do not comply with S71 of the MFMA			✓			✓		3	Not addressed
Appointment requirements not fulfilled			✓				✓	2	Not addressed
Employment contract not signed				✓			✓	2	Not addressed
Employees do not meet the required qualification for the post advertised			✓				✓	N/A	N/A
Initial short list for new appointees not on file				✓				N/A	N/A
Grants – Money held in bank account is less than value of unspent conditional grants at year end				✓			✓	N/A	N/A
Non payments of loan resulting in fruitless & Wasteful expenditure	✓					✓		2	Not addressed
Information requested not submitted for audit -	✓					✓		N/A	N/A

	Indigent debtors										
	Evidence of approval of stock adjustment not submitted	✓					✓			1	Not addressed
Cash flow statements											
	Cash flow movements in the Cash Flow Statement are inaccurate	✓					✓			N/A	N/A
	Breakdowns / explanations for movements in the Cash Flow Statement requested but not received	✓					✓			N/A	N/A
Commitments											
	The Commitments Register was not reviewed during the year				✓				✓	N/A	N/A
	Understatement of commitments	✓					✓			2	Not addressed
Contingent liabilities											
	Schedule / breakdown of contingencies was not received	✓					✓			2	Not addressed
Employee costs											
	Compensation of Employee: Leave incorrectly approved				✓				✓	2	Not addressed
Compliance											
	Financial statements were not reviewed by the Audit Committee prior to submission for audit				✓		✓			N/A	N/A
	Annual Performance Report not reviewed by the Audit Committee prior to submission				✓		✓			N/A	N/A
	Human Resource Plan not in place				✓			✓		3	Not addressed
	Non-submission of quarterly reports on performance measurement to the Audit Committee by Internal Audit		✓				✓			3	Not addressed
	Deficiencies in Control Environment				✓			✓		3	Not addressed
	Performance evaluations not conducted for S.67 employees				✓		✓			3	Not addressed
	No skills retention policy in place				✓				✓	3	Not addressed
	Non- submission of information/response to request (Audit Committee Meetings circulated to Council)				✓				✓	3	Not addressed
	Formal risk assessment not performed				✓		✓			3	In progress
	Deficiencies Identified: Training of employees				✓				✓	3	Not addressed
	Limitation of scope; non-submission of requested information (internal controls)				✓			✓		N/A	N/A
Immovable assets											
	Non-existence of title deeds for Land and Buildings	✓					✓			2	In progress

	owned by the municipality										
Inventory											
	Inventory: Inventory not adequately safeguarded				✓				✓	N/A	N/A
Movable assets											
	PPE: Assets on the Fixed Asset Register are not bar-coded	✓					✓			3	In progress
	Inadequate Fixed assets register	✓					✓			3	In progress
	No reconciliation between the asset register and the general ledger				✓			✓		3	In progress
	Asset identified with nil or R1 value	✓					✓			3	In progress
	Computer software not accounted for as intangible assets	✓						✓		N/A	N/A
	Completeness of assets listed in the fixed asset register not verified	✓					✓			3	In progress
	Annual Financial Statements – Property, plant and equipment not fairly presented	✓					✓			N/A	N/A
	SCM: Information requested not submitted				✓			✓		N/A	N/A
	PAID stamp: Improper cancellation of supporting documentation				✓				✓	N/A	N/A
	SCM - Minimum number of quotations not attached				✓		✓			3	Not addressed
	Existence of assets could not be verified	✓					✓			3	In progress
Revenue											
	Revenue Management – Information for licenses and permits requested but not received	✓					✓			2	Not addressed
	Revenue Management – No supporting documents for payment arrangements made on reconnections				✓			✓		N/A	N/A
	Revenue Management – New connection application forms not submitted				✓			✓		N/A	N/A
	Revenue Management – Meter readings were not taken for a period exceeding three months	✓					✓			N/A	N/A
Operating expenditure											
	SCM - No written delegation of authority			✓					✓	N/A	N/A
	Supply Chain Management: Roles and responsibilities are not clearly assigned			✓					✓	N/A	N/A
	Employee identified who did not disclose financial interest in the financial interest disclosure form			✓			✓			N/A	N/A
	Non compliance with MFMA S32(4) – Unauthorized, irregular, fruitless and wasteful expenditure			✓			✓			3	Not addressed
	Overstatement of unauthorised expenditure.	✓					✓			3	Not addressed

	Disclosure for unauthorized, irregular ,fruitless and wasteful expenditure is insufficient	✓					✓		3	Not addressed
	Bulk Purchases: Outstanding information requested	✓					✓		N/A	N/A
	Non compliance with SCM procedures			✓			✓		N/A	N/A
	SCM officials have not formally signed the SCM code of conduct			✓				✓	N/A	N/A
	Water and electricity distribution losses not calculated and disclosed in the annual financial statements	✓					✓		N/A	N/A
	SCM: Lack of an effective internal monitoring system on SCM processes			✓			✓		N/A	N/A
Predetermined objectives										
	AOPO: Performance Management System not implemented timely		✓				✓		N/A	N/A
	AOPO: Discrepancies identified in the 11/12 SDBIP		✓				✓		N/A	N/A
	AOPO: Approved annual performance report not submitted for audit.		✓				✓		N/A	N/A
	AOPO: Non-compliance with MSA s.57 (2) requirements		✓				✓		N/A	N/A
	AOPO: Non-compliance with s.53(1)(c)(ii) of the MFMA requirements.		✓				✓		N/A	N/A
	AOPO: Non-compliance with MFMA s.72 (1) requirements		✓				✓		N/A	N/A
	AOPO: Indicators and Targets not reflected on the 11/12 IDP		✓				✓		N/A	N/A
	AOPO : Inconsistencies between planned and reported targets		✓				✓		N/A	N/A
	AOPO: Planned targets not specific		✓				✓		N/A	N/A
	AOPO: APR submitted for audit does not reflect comparison of prior-year performance		✓				✓		N/A	N/A
	AOPO: Measures taken to improve performance not included in APR		✓				✓		N/A	N/A
	AOPO: Measures to improve performance not supported by evidence		✓				✓		N/A	N/A
	AOPO: Planned indicators not well-defined		✓				✓		N/A	N/A
	AOPO: Planned indicators not verifiable		✓				✓		N/A	N/A
	AOPO: Evidence to substantiate actual achievements per APR not submitted for audit		✓				✓		N/A	N/A
	AOPO: Material shortcomings in performance		✓				✓		N/A	N/A

	management system at indicator level										
	AOPO: Planned targets not achieved		✓					✓		N/A	N/A
Provisions											
	Provision for rehabilitation of landfill site was incorrectly estimated	✓						✓		3	In progress
Receivables											
	Debtors request for information not submitted – Confirmation of debt	✓						✓		N/A	N/A
	Lack of a formal agreement between debtors and the Municipality	✓						✓		N/A	N/A
Related parties											
	SCM - Quotations not obtained			✓				✓		3	Not addressed
VAT											
	Understatement of the VAT liability in the annual financial statements	✓						✓		1	Not addressed
IT											
	Information Technology Governance				✓			✓		1	Not addressed
	Security Management				✓			✓		1	Not addressed
	User Access Control				✓			✓		1	Not addressed
	Information Technology Service Continuity				✓			✓		1	Not addressed
	Program Change Management				✓			✓		1	Not addressed
	Facilities and Environmental Control				✓			✓		1	Not addressed

DETAILED AUDIT FINDINGS

ANNEXURE A: MATTERS AFFECTING THE AUDITOR'S REPORT

1. EX.27 - Compliance - Annual Report 2010/2011 (Non-compliance to MFMA requirements)

Audit finding

MFMA 127 states that:

(2) The mayor of a municipality, within seven months after the end of a financial year, tabled in the municipal council the annual report of the municipality and of all municipal entities under the municipality's sole or shared control.

(5) Immediately after an annual report was tabled in the council in terms of section 127(2) of the MFMA, the accounting officer made the annual report public and invited the local community to submit representations in connection with the annual report

Nature

The following non-compliance matters were noted:

- The 2010/2011 annual report was not yet tabled in council; and
- No evidence could be obtained that the 2010/2011 annual report was made public and the local community invited to submit representations in connection with the annual report.

Cause

- Inadequate controls to ensure compliance to laws and regulations.
- Annual report not prepared timely to ensure adherence to reporting deadlines.

Impact

Non-compliance with the MFMA

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Management did not ensure that adequate controls are in place to ensure compliance with relevant regulatory requirements.

Recommendation

- Management should enhance and monitor implementation of controls to ensure compliance with laws and regulations.
- Checklists should be formulated that take into account all regulatory reporting requirements. These should be reviewed by the Accounting Officer for follow up on any regulatory requirements that were not complied with.

Management response

Auditor's conclusion

No formal comment received. This will be reported as a non-compliance matter.

2. EX.28 - Financial Statements - Statement of Changes in Net Assets not fairly presented

Audit finding

GRAP 1 paragraph 18 states that, *"Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation."*

Nature

a) The Statement of Changes in Net Assets contained in the Annual Financial Statements for the year ended 30 June 2012, does not cast.

A variance of R4 163 577 (R2011: R4 163 577) was identified between the accumulated surplus recalculated and the accumulated surplus recorded in the Statement of Changes in Net Assets.

Accumulated Surplus 30/06/2012 – recalculated	46 951 571
Accumulated Surplus 30/06/2012 - per the Statements of Financial Position and Statement of Changes in Net Assets	51 115 148
Variance	4 163 577

The accumulated surplus for 2011 per the Statement of Changes in Net Assets does not agree to the accumulated surplus for the year end 30 June 2011 disclosed on the Statement of Financial Position.

The variance is as follows:

Accumulated Surplus - Statement of Changes in Net Assets (30/06/2011)	46 918 959
Accumulated Surplus - Statement of Financial Position (30/06/2011)	42 755 382
	4 163 577

In addition the following adjustments were recorded in the accumulated surplus, however, no supporting evidence was provided to prove this. The adjustments could not be verified and recalculated as the journal entries processed for these adjustments were not provided for audit:

Detail	Amount (R)
Corrections & Adjustments 2011	245 043
Other movements 2012	350 632
Corrections & Adjustments 2012	(7 298 810)

Cause

Financial Statements were not reviewed for accuracy prior to submitting for audit.

Impact

- Unable to obtain sufficient appropriate audit evidence for adjustments of R6 948 178 (2011: R245 043) to the accumulated surplus balance as disclosed in the Statement of Changes in Net Assets.
- Consequently, unable to confirm the valuation, rights and obligations, existence and completeness of the accumulated surplus balance of R 51 115 148 (2011: R46 918 959).

Internal control deficiency

Financial and Performance Management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

- Management should implement controls to ensure the timely preparation of the financial statements in order to facilitate review prior to submission for audit. Financial Statements should be cast and verified prior to submitting for audit.
- The accumulated surplus balance in the Statement of Changes in Net Assets should be corrected to agree to the balance as reflected in the Statement of Financial Position.

Management response

Auditor's conclusion

No formal comment received. This will result in a modified opinion on the accumulated surplus balance.

3. Understatement of trade payables at year end as invoices reflected on Supplier statements were not accrued for

Audit finding

In terms of section 63(2)(b); The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality's assets and liabilities are valued in accordance with standards of generally recognized accounting practice

Nature

The following exceptions were identified in trying to verify the completeness of trade payables:

- Invoices were identified on statements received from suppliers as at 30 June 2012 that were not accrued for in the Municipality's records. The total value of these invoices is 2 064 449.43 based on a sample of supplier invoices verified.
- Interest was identified on the INCA loans for June 2012 that was not accrued for.

Details are as follows:

Interest June 2012 (INCA 6871)	554 907.02
Interest June 2012 (INCA 7459)	378 312.29
Total	933 219.31

- Supplier statements as at 30 June 2012 were not available for audit
- Reconciliations between supplier statements and creditors listing was not performed for all creditors on the creditors listing.

Cause

Inadequate review and reconciliation procedures performed. Supplier statement reconciliations for 30 June 2012 were not finalised and reviewed.

Ongoing monitoring and supervision are not undertaken to enable management to determine whether internal control over financial reporting is present and functioning.

Impact

The Municipality did not accrue for outstanding invoices that were not settled at year, therefore unable to determine the completeness of trade payables of R49 565 725 disclosed in note 12 to the financial statements. In addition we are unable to determine whether any further adjustments are necessary to the amount of R49 565 724 as variances identified were based on a sample basis.

Internal control deficiency

Financial and Performance Management

Implement controls over daily and monthly processing and reconciling of transactions

Regular review and reconciliation procedures are not performed by the responsible officers.

Recommendation

Management should ensure that all monthly reconciliations are performed. These should be reviewed by a second person. All variances should be investigated and followed up.

Management response**Auditor's conclusion**

No formal comment received. This will result in a qualification on the trade payables balance as the completeness of the balance cannot be determined and alternate procedures could not be performed.

4. EX.39 - Annual Financial Statements - Related Party Disclosure inadequate

Audit finding

GRAP20.35 states that an entity shall disclose the remuneration of management per person and in aggregate for each class of management.

Nature

Councillor remuneration (Note 23 in the Annual Financial Statement) is disclosed in aggregate only and not per individual Councillor.

Cause

Lack of understanding of GRAP principles as well as a lack of monitoring and review controls of financial statements to ensure financial statements prepared are fairly presented prior to submission for audit.

Impact

Non-compliance to GRAP reporting requirements may impact on the fair presentation of financial statements which will impact the understandability and reliability of the financial statements and could therefore be misleading to the users of the financial statements.

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Lack of proper review on financial statements submitted for audit to ensure validity, accuracy and completeness

Recommendation

Management should implement controls to ensure the timely preparation of the financial statements in order to facilitate review prior to submission for audit. Reference should be made to the GRAP disclosure checklist issued by National Treasury to ensure that the financial statements meet the GRAP reporting requirements.

Management response

Agree. Consultants agreed to change note in the annual financial statements.

Auditor's conclusion

Follow up review performed on the adjusted financial statements. The disclosure was not updated, which will result in a modified opinion on the related party disclosure.

5. EX.43 - Annual Financial Statements -Investment Property not fairly presented

Audit finding

GRAP 16.36, an entity shall choose as its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property.

Nature

The accounting policies do not indicate the measurement criteria that the Municipality has applied for investment property after initial recognition (i.e. whether the cost model or the fair value model was applied).

However, based on the Investment Property disclosure note (Note 7), it would appear as if the Municipality has elected the cost model as the measurement basis. However, the current financial statements do not reflect any depreciation charge / accumulated depreciation on Investment Property. The financial impact of the depreciation charge cannot be determined as the useful life of the Investment Property as well as the purchase date of the property has not been identified. Note

Had the Municipality chose the fair value model, the fair value of the Investment Property would have to be determined at the reporting date and any gain or loss arising from the change in fair value shall be included in surplus or deficit for the period. The current financial statements do not reflect any gains or losses on Investment Property as well as the results of the fair value assessment.

In addition the following errors were identified with regard to the Investment Property disclosure note (Note 7):

The cost of the Investment Property for both the 2011 and 2012 financial years is reflected as nil and the accumulated depreciation and impairment is reflected as R2 350 519 which would imply that the carrying value of the asset should be negative.

Cause

Lack of understanding of GRAP principles as well as a lack of monitoring and review controls of financial statements to ensure financial statements prepared are fairly presented prior to submission for audit.

Impact

Total assets and expenses may be understated which will impact on the fair presentation of financial statements which will in turn impact on the understandability and reliability of the financial statements and could therefore be misleading to the users of the financial statements

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Lack of proper review on financial statements submitted for audit to ensure validity, accuracy and completeness

Recommendation



Management should assess the useful life of its Investment Property and calculate the relevant depreciation expense for the current year. The financial records should be adjusted accordingly. Depreciation for prior periods need also be determined. This must be disclosed as a prior period error in the current financial statements.

Management response

Agree. Consultants agreed to correct the AFS and resubmit.

Auditor's conclusion

Inspected the revised financial statements. The Municipality has elected the fair value model of measuring investment property. However, the fair value was not determined / disclosed in the financial statements. Therefore the qualification on investment property will remain

6. EX.48 - Annual Financial Statements - Prior year error not disclosed in accordance with GRAP 3

Audit finding

GRAP 3.44 states that subject to paragraph .45, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented

GRAP 3.51 states that in applying paragraph .44, an entity shall disclose the following:

- (a) the nature of the prior period error;
- (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;
- (c) the amount of the correction at the beginning of the earliest prior period presented; and
- (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Nature

The following errors were identified with regard to note 36 (Prior period errors) in the Annual Financial Statements for the year ended 30 June 2012:

- a) The surplus for the comparative year (2011) for the line items reflected below were restated:
 - No journals / supporting evidence was received to verify the accuracy of these adjustments
 - The credit leg of the adjustments were not accounted for in the corresponding asset / liability accounts for 2011 to which it relates
 - The adjustment was duplicated in the Annual Financial Statements (adjusted by adjusting the comparative accumulated surplus balance as well as included in the corrections and adjustments line of R 7 298 810 in the Statement of Changes of Net Assets for 2012)
 - No disclosure was made in the notes as to the nature of these adjustments as well as the amount of the correction for each financial statement line item affected

Line Item	Amount per AFS (June 2011)	Restated amount per AFS (30 June

		2012)
Depreciation & Amortisation	3 330 256	5 828 512
Finance Cost	3 990 451	4 305 250
General Expenses	22 813 218	23 486 558

b) An amount of R4 039 704 was identified in Note 36 as retirement benefit obligation that was not recognised in the prior year. However, the accumulated surplus of the comparative year was not restated to reflect this correction.

c) Comparatives of the following balances were restated in the Statement of Financial Position; however no disclosure was made in the notes of the financial statements as to the nature of these adjustments as well as the amount of the correction for each financial statement line item affected:

Line Item	Amount per AFS (June 2011)	Restated amount per AFS (30 June 2012)
Cash & Cash equivalents	4 467 825	4 347 826
Other Financial Assets	15 801	135 801

d) The following error was disclosed in Note 36 along with the line items affected:
Long term loans balances adjusted in prior year. No evidence was provided to support this adjustment.

Line Item	Amount
Long term liability	(3 657 752)
Long term loan: creditor short term portion	3 657 752

However on review of the Statement of Financial Position the line items affected by the correction above were as follows:

Line Item	Amount
Other Financial Liabilities	(3 657 750)
Trade & Other Payables	2 265 042
Unspent conditional grants & receipts	1 392 714

e) No support / journals were provided for the following prior period errors disclosed in Note 36 of the Annual Financial Statements:
Investment Property - R2 350 519

f) A variance of R578 821 was identified when recalculating the accumulated surplus.

	Amount
Opening balance as previously reported per AFS 30 June 2011	46 918 059
Corrections of errors	(7 526 099)
Surplus for the year 2012	11 144 367
Total recalculated 30 June 2012	50 536 327
Accumulated surplus 30 June 2012 as per ASF	51 115 148
Variance	578 821

Cause

Financial Statements were prepared by Consultants and were not subsequently reviewed for accuracy prior to submitting for audit.

Impact

Unable to obtain sufficient appropriate audit evidence for adjustments made to comparatives. Consequently, unable to confirm the valuation, rights and obligations, existence and completeness of the accumulated surplus of R 51 115 148 (2011: R46 918 959).

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Lack of proper review on financial statements submitted for audit to ensure validity, accuracy and completeness.

Recommendation

Management should implement controls to ensure the timely preparation of the financial statements in order to facilitate review prior to submission for audit. Financial Statements should be cast and verified prior to submitting for audit.

The variance on the accumulated surplus compared to the balance as per the Statement of Financial Position should be investigated and corrected.

Management response

Auditor's conclusion

No formal comment received. This will result in a qualification of comparatives as well as the accumulated surplus balance.

7. EX.51 - Compliance - Budgets do not comply with MFMA requirements

Audit finding

Municipal budget and reporting regulation GNR 393 of 17 April 2009

18(1): Within 10 working days after the municipal council approved the annual budget, the municipal manager made public the approved annual budget and supporting documents and accompanying resolutions.

(19)The municipal manger made public the approved service delivery and budget implementation plan within 10 working days after it was approved by the mayor.

(26)(1)The municipal manager made public the approved adjustment budget, within 10 working days after the council approved the adjustment budget.

MFMA sec 15

The municipality only incurred expenditure in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.

MFMA sec 70(1)

The accounting officer reported, in writing, to the municipal council any impending or actual:

- i) shortfalls in budgeted revenue
- ii) overspending of the municipality's budget
- iii) step taken to rectify such financial problems.

Nature

The following non-compliance matters were identified with regard to the Municipal budget and reporting regulation GNR 393 of 17 April 2009

- The approved 2012/2013 budget was not made public within 10 working days after the municipal council approved the annual budget

The following non-compliance matters were identified with regard to the MFMA:

- The municipality incurred unauthorised expenditure totalling R27 116 186
- The Accounting Officer did not report in writing to the municipal council on any impending or actual:
 - i) shortfalls in budgeted revenue
 - ii) overspending of the municipality's budget
 - iii) step taken to rectify such financial problems.

Cause

Inadequate controls in place to monitor compliance with laws and regulations

Impact

Non-compliance to regulations.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

The accounting officer / accounting authority did not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

Recommendation

Management should implement controls to ensure compliance with laws and regulations. Checklists should be formulated that take into account all legislative / regulatory requirements.

Management response

Auditor's conclusion

No formal comment received. This will be reported as a non-compliance matter.

8. EX.59 - Compliance - Non-compliance with the Property Rates Act

Audit finding

The Property Rates Act 23(1) states that the municipality compiled and maintained a register in respect of properties situated within the municipality.

Part A should consist of the current valuation roll of the municipality including supplementary valuations. Part B must specify properties that is subject to exemptions, rebates, phasing in of rates or exclusions referred to in section 17 (1)(a), (e),(g),(h) and (i) of the Act. (sec 23(1)).

The register is open to the public for inspection and if the municipality has an official website, the register is displayed on that website (sec 23(4)).

Part B of the property register is updated annually by the municipal manager (sec 23(5)).

Nature

The Municipality has not maintained / updated its valuation roll for the financial year ended 30 June 2012. The valuation roll was last updated in June 2011. In addition the Property Register does not include Part B as is required by the Property Rates Act.

Cause

The process to identify properties where ownership has been transferred / should be transferred is not finalised.

Material misstatements in property rates levied on Customers

Internal control deficiency

Leadership

Develop and monitor the implementation of action plans to address internal control deficiencies

Management failed to develop and monitor implementation of action plans to address this internal control deficiency as the same audit finding was raised in prior audits.

Recommendation

Management to formulate control measures to ensure compliance with all applicable laws and regulations.

Management response

Auditor's conclusion

No formal comment received. This will be reported as non-compliance matter.

9. EX.63 - Contingent Liabilities Disclosure insufficient

Audit finding

MFMA 125

other compulsory disclosure-

(2) The notes to the annual financial statements of a municipality or municipal entity must disclose the following information:

c) particulars of any contingent liabilities of the municipality or entity as at the end of the financial year;

GRAP 019 (95)

Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable:

(a) an estimate of its financial effect, measured under paragraphs .41 to .57;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

Nature

An amount of R7 370 667 was disclosed as contingent liabilities at year end, however, all the disclosure requirements as set out in GRAP 19.95 were not met, i.e. no disclosure was made regarding the nature of the contingent liability, the expected timing of outflow of economic benefits as well as an indication of the uncertainties about the timing of those outflows.

Cause

Lack of understanding of GRAP principles as well as a lack of monitoring and review controls of financial statements to ensure financial statements prepared are fairly presented prior to submission for audit.

Impact

Non compliance with GRAP 19

Internal control deficiency

Financial and Performance Management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

Management should implement controls to ensure the timely preparation of the financial statements in order to facilitate review prior to submission for audit. Reference should be made to the GRAP disclosure checklist issued by National Treasury to ensure that the financial statements meet the GRAP reporting requirements.

Management response

Agree. PWC will investigate and discuss with relevant department to correct disclosure note

Name: E Hall

Position: Acting CFO

Date: 14 November 2012

Auditor's conclusion

Inspected the adjusted financial statements. The additional disclosure was not included. Therefore the finding will remain.

10. EX.64 - No investigations conducted on unauthorized, irregular, fruitless and wasteful expenditure incurred during the year

Audit finding

MFMA 32

(2) A municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure—

- a) In the case of unauthorised expenditure, is—
 - i) Authorized in an adjustments budget; or
 - ii) Certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and
- b) In the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

Nature

Based on enquiries with Management and request for supporting documentation to evidence that investigations / enquiries were conducted on unauthorized, irregular and fruitless and wasteful expenditure, incurred during the year, noted that no such investigations were conducted.

Cause

Management's failure to take responsibility and ensure that corrective actions are implemented where required.

Impact

Individuals responsible for unauthorised expenditure may not be held liable and accountable since no investigations are taking place. This will in turn cause financial loss to the municipality since monies are not recovered from the responsible persons.

Internal control deficiency



Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Management has not demonstrated the above by conducting an investigation into unauthorized, irregular and fruitless and wasteful expenditure.

Financial and performance management

Management did not review and monitor compliance with laws and regulations.

Recommendation

Controls should be implemented to monitor and ensure compliance with the applicable laws and regulations. Remedial action should be instituted against employees identified who do not comply.

Management response**Auditor's conclusion**

No formal comment received. This will be reported as a non-compliance in the audit report.

11. EX.67 - Suppliers not paid in 30 Days**Audit finding**

In terms of S65(2)(e) of the Municipal Finance Management Act, the accounting officer must take all reasonable steps to ensure, that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

Nature

The following creditors were identified that were not paid within 30 days of receiving the relevant invoice:

Supplier	Invoice date	Payment date	Invoice No	Invoice amount
Metsi chem International (PTY) LTD	04-07-2011	2011/08/29	INV112799	4,447.88
Eskom	31-05-2011	2011/08/17	580457279466	3,567.20
Klerksdorp pro shop	03-09-2011	2011/08/26	INV09	4,000.00
Ce at up Trust	05-07-2011	2011/08/26	INV075991	3,150.00
LEBUSCHANGNE P.J	02-06-2011	2011/08/24	INV2710	2,565.00
ESKOM	25-07-2011	2011/08/16	645185218619	41,886.48
PHILIPS'S PANEELLOPPERS	29-06-2011	2011/08/12	1764	1,593.81
PHILIPS'S PANEELLOPPERS	29-06-2011	2011/08/12	1760	3,000.00
TELKOM	25-09-2011	2011/11/18	109G1004772q	3,363.00
FRANCOIS VAN DER MERWE	04-10-2011	2011/11/18	IN100860	1,590.00
ELECTRO TORQUE	06-10-2011	2011/10/18	IN109340	2,171.02
KWEZI V3 ENGINEERS	24-02-2011	2011/09/20	67742	132,814.15
				204,148.54

Cause

Cash flow constraints. Lack of adequate financial management.

Impact

Non compliance with the MFMA. This may lead to additional interest and penalties charged by Suppliers which will result in fruitless and wasteful expenditure.

Internal control deficiency

Financial and Performance Management

Review and monitor compliance with applicable laws and regulations

A lack of system controls on the processing of payments to ensure that payments are settled within 30 days of the receipt of the invoice.

Recommendation

Management must ensure that payments are paid within 30 days of the receipt of the invoice to avoid additional interest.

Management response

Agree. However, the impact should change to non-compliance with laws and regulations

Name: E Hall

Position: Acting CFO

Date: 14 November 2012

Auditor's conclusion

Impact updated. This will be reported as a non-compliance matter.

12. EX.68 - Variance in Investment Property balances

Audit finding

MFMA act 63(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure— (b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and (c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

Nature

The following were identified from review of the Investment Property Register as at 30 June 2012:

a) The following information was not included in the Investment Property Register:

- Purchase Date
- Purchase Cost
- Depreciation method and rate used (if the cost model is used)

- Accumulated depreciation for each year of completed use
- Impairments
- Details of any write-down or write up in carrying value
- disposal date
- amount received for disposal

b) A variance of R1 889 519 was identified between the balance in the Investment Property Register and the Investment Property balance as disclosed in the Statement of Financial Position. Details are as follows:

Total asset value per the Investment Property Register : R462 000

Total Investment Property value per the AFS: R2 350 519

c) Comparison of the Investment Property Register at 30 June 2012 to 30 June 2011 indicated the following properties that were not included in the register of the current year. These assets were not disposed / written off in the current year:

SEGMENT / SERVICE	Description	Value
HOUSING SALE SCHEME	SINGLE QUATERS	220.00
HOUSING SALE SCHEME	SINGLE QUATERS	8,434.69
HOUSING SALE SCHEME	HOUSING	55,937.34
HOUSING SALE SCHEME	BUILDINGS MOOSAPARK	62,888.06
HOUSING SALE SCHEME	HOUSING	1,980,072.26
HOUSING SALE SCHEME	MOOSAPARK	153,606.59
HOUSING SALE SCHEME	HULPBEHUISING	89,359.93
		<hr/> 2,350,518.87

d) A variance of R225 000 was identified between the property value recorded in the Investment Property Register and the value confirmed as per the valuation roll. Details are as follows:

Property Description - RE74 Farm Roodepoort 191P

Value recorded in Investment Property Register - R362 000

Value per the valuation roll - R587 000

Cause

Lack of monthly reconciliations between the Investment Property Register and the balance per the General Ledger.

Impact

The valuation and allocation of Investment Property as disclosed in the annual financial statements is misstated.

Internal control deficiency

Financial / Performance Management

Implement controls over daily and monthly processing and reconciling of transactions

Lack of monthly reconciliations performed to ensure completeness and accuracy of reported balances.

Recommendation

The Investment Property Register to be updated to include all specific details of assets.

The Investment Property Register be updated to reflect the correct value of Property.

Monthly reconciliations should be performed between the Investment Property Register and the General ledger. All variances be investigated and corrected.

The financial statements should be adjusted to reflect the adjusted Investment Property values.

Management response

Management agree with the finding, and it will be discussed with PWC for amendment in AFS

Name: E Hall

Position: ACFO

Date: 14 November 2012

Auditor's conclusion

The adjustment was not processed, which will result in a qualification on the investment property balance.

13. EX.69 - Property identified that was not included in the Investment Property or Inventory Registers

Audit finding

MFMA Asset and liability management

63. (2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—

(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and

(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.,

GRAP 1 paragraph 18 states that, *"Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the Framework for the Preparation and Presentation of Financial Statements. The application of Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation."*

Nature

Assets (property) identified from the Valuation roll as owned by the municipality for commercial and residential purposes were not listed on the Investment Property or Inventory Register as either investment property or property available for sale. We were therefore unable to confirm completeness of investment properties as well as inventory balances as disclosed in the Statement of Financial Position.

The matter was raised during the prior year audit and no action was taken to address this. The properties identified based on a sample of 30 items are as follows:

DESCRIPTION	VALUE	TYPE
TSHING ERF 201, EXT 304	176,000.00	Commercial Property
TSHING ERF 504, EXT 462	139,000.00	Commercial Property
TSHING ERF 529, EXT 2484	388,000.00	Commercial Property
TSHING ERF 559, EXT 551	196,000.00	Commercial Property
TSHING EXT 3 ERF 2487, EXT 400	249,000.00	Commercial Property
TSHING EXT 5 ERF 3456	181,000.00	Commercial Property
TSHING EXT 5 ERF 3631	235,000.00	Commercial Property
TSHING EXT 5 ERF 4264	173,000.00	Commercial Property
TSHING EXT 5 ERF 4277	197,000.00	Commercial Property
TSHING ERF 61	266,000.00	Commercial Property
TSHING ERF 433	236,000.00	Commercial Property
TSHING ERF 471	191,000.00	Commercial Property
TSHING ERF 502	105,000.00	Commercial Property
TSHING ERF 539	125,000.00	Commercial Property
TSHING ERF 553	301,000.00	Commercial Property
TSHING ERF 440	76,000.00	Residential Property
TSHING ERF 464	147,000.00	Residential Property
TSHING ERF 516	128,000.00	Residential Property
TSHING EXT 2 ERF 924	46,000.00	Residential Property
TSHING EXT 2 ERF 1047	50,000.00	Residential Property
TSHING EXT 2 ERF 1065	42,000.00	Residential Property
TSHING EXT 3 ERF 2307	77,000.00	Residential Property
TSHING EXT 3 ERF 2308	59,000.00	Residential Property
TSHING EXT 3 ERF 2414	44,000.00	Residential Property
TSHING EXT 3 ERF 2442	47,000.00	Residential Property
TSHING EXT 3 ERF 2492	62,000.00	Residential Property
TSHING EXT 4 ERF 3076	68,000.00	Residential Property
TSHING EXT 4 ERF 3077	140,000.00	Residential Property
TSHING EXT 4 ERF 3078	68,000.00	Residential Property
TSHING EXT 5 ERF 3375	64,000.00	Residential Property
TSHING EXT 5 ERF 3380	47,000.00	Residential Property
TOTAL	4 323 000	

Cause

Lack of appropriate review by management to ensure that all investment property is included in the Investment Property register, thereby ensuring the completeness of the Investment Property register.

Property transfers were not effected at the Deeds Office to transfer the properties to the rightful owners, therefore, the Municipality is still reflected as the Property Owner.

Impact

The valuation and allocation of Investment Property and Inventory balances cannot be verified, which will impact the audit report.

Internal control deficiency

Financial and Performance Management

Controls over daily and monthly processing and reconciling of transactions were not implemented

Monthly reconciliations are not performed to ensure balances reported are complete and accurate

Recommendation

A comparison / detailed investigation be performed between all properties identified as owned by the Municipality as per the title deeds at the Deeds Office as well as the valuation roll and the Investment Property and Fixed Asset Registers to identify any property that has not been accounted for or property that should be transferred to the legal owner.

Management response

Agree, the asset register will be revisited

Name: E. Hall

Position: Acting CFO

Date: 14 November 2012

Auditor's conclusion

This will result in a qualification on the investment property and inventory balance as the completeness and valuation of investment property and inventory cannot be determined.

Auditor's conclusion

14. EX.89 - AOPO: Planned targets not measurable

Audit finding

NT Framework for Managing Programme Performance Information, Chapter 3:3 Performance Targets; A useful set of criteria for selecting performance targets is the "SMART" criteria:

- Specific: the nature and the required level of performance can be clearly identified
- Measurable: the required performance can be measured
- Achievable: the target is realistic given existing capacity
- Relevant: the required performance is linked to the achievement of a goal
- Time-bound: the time period or deadline for delivery is specified.

Nature

The required performance relating to 33% i.e. 9 out of a sample of 27 targets selected for testing could not be measured, as tabulated:

No	Strategic Objective	Planned Indicator	Planned Target
1	To provide library services at Ga Mogopa	Furnish the Ga-Mogopa satellite library and provide reading material as well as staff	Supply reading materials, furniture and staff for Ga-Mogopa satellite library by June 2012.
2	To motivate communities to read Setswana	Organised an event through a competition	To have held an event by March 2012
3	To maintain Sports facilities	Maintained sports facility	To have fenced around by June 2012

4	To avail graves for the community	Collected money for bookings	To collect R3500 on a monthly basis
5	To maintain our electrical network, streetlights and substation to ensure reliable supply at all times	maintained network, street lights and substation	maintained network, street lights and substation
6	To maintain the water network	Maintained water network	Maintained water network
7	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing
8	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing
9	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses

Cause

Management is not conversant with key performance information concepts, including the criteria for good performance indicators and targets.

Impact

- Non-compliance with the National Treasury's FMPPi
- The municipality may not be able to measure its performance to ensure it supports its mandate.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

Management should set measurable targets that will inform the municipality whether it is meeting its aims and objectives.

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on pre-determined objectives.

15. EX.90 - APO: Planned targets not time-bound



Audit finding

NT Framework for Managing Programme Performance Information, Chapter 3:3 Performance Targets; A useful set of criteria for selecting performance targets is the "SMART" criteria:

- Specific: the nature and the required level of performance can be clearly identified
- Measurable: the required performance can be measured
- Achievable: the target is realistic given existing capacity
- Relevant: the required performance is linked to the achievement of a goal
- Time-bound: the time period or deadline for delivery is specified.

Nature

6 out of a sample of 27 performance targets selected for audit (22%) were confirmed not to be time-bound, as tabulated:

No	Strategic Objective	Planned Indicator	Planned Target
1	Upgraded bulk water supply to Ventersdorp	Upgrading of Bulk Water supply for 6183 households by end June 2014	6183
2	To maintain our electrical network, streetlights and substation to ensure reliable supply at all times	maintained network, street lights and substation	maintained network, street lights and substation
3	To maintain the water network	Maintained water network	Maintained water network
4	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing
5	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing
6	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses

Cause

Management is not conversant with key performance information concepts, including the criteria for good performance indicators and targets.

Impact

- Non-compliance with the National Treasury's Framework for Managing Programme Performance Information
- Regular monitoring and reporting on performance may not reflect non/under-performance if targets set do not communicate the required level of performance in a financial period.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

The time period for delivery must be specified when formulating annual performance targets.

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on pre-determined objectives.

16. EX.103 - Compliance - Shifting of Funds

Audit finding

MFMA section 31, states that when funds for a capital programme are appropriated in terms of section 16(3), for more than one financial year, expenditure for that programme during a financial year may exceed the amount of that year's appropriation for that programme provided that:

- (a) The increase did not exceed 20 per cent of the year's appropriation for the programme;
- (b) The increase was funded within the next year's (2012/13) appropriation for that programme;
- (c) The municipal manager certified that:
 - (i) actual revenue for the financial year is expected to exceed budgeted revenue
 - (ii) sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit
- (d) Prior written approval was obtained from the mayor for the increase; and
- (e) Documentation relating to approval of the increase were submitted to the relevant treasury

Nature

The following capital programme was identified where actual expenditure incurred was in excess (more than 20%) of the appropriation for the year, where the requirements of MFMA section 31 were not complied with, i.e.:

- The increase was not funded within the next year's (2012/13) appropriation for that programme;
- The municipal manager had not certified that:
 - (i) actual revenue for the financial year is expected to exceed budgeted revenue
 - (ii) sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit
- No prior written approval was obtained from the mayor for the increase; and
- No documentation relating to approval of the increase were submitted to the relevant treasury

* 2011/2012 Adjusted Budget	# Actual	Variance	% Variance
Water R 0	5,680,084	5,680,084	100%

Cause

The amount of R 5 680 084 is made from the following amounts, R 774 301 and R 4 905 783. R 640 000 was Budgeted for the Toevlug Main Pump Station and the actual expenditure is R 774 301.

R 4 905 783 is the expenditure incurred on the Bulk Water Project which is funded from DWA. Money was received from DWA and paid to the service provider for the said project.

The Toevlug Pump Station project was Budget under Waste Water Management on the Budget document and capture under Water on the financial System.

Impact

Non-compliance to MFMA

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management to formulate control measures to ensure compliance with all applicable laws and regulations.

Management response

Auditor's conclusion

No formal comment received. This will be reported as a non-compliance matter in the audit report.

17. EX.110 - Compliance - Monthly Budget Statements do not comply with S71 of the MFMA

Audit finding

MFMA sec 71 :

(1)(g)The monthly budget statement reflected the following particulars for that month and for the financial year up to date:-

- i) explanation of any material variances from the entity's projected revenue by source; and from the entity's expenditure projections;
- ii) explanation of any material variances from the service delivery agreement and business plan; and
- iii) explanation of any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the entity's approved budget.

(2)The monthly budget statement included a projection of revenue and expenditure for the rest of the financial year, and any revisions from initial projections.

(3)The amounts reflected in the monthly budget statement were in each case compared with the corresponding amounts budgeted for in the entity's approved budget.

(4)The monthly budget statement was in the format of a signed document and in electronic format.

Municipal budget and reporting regulation GNR 393(34)(1) of 17 April 2009: The monthly budget statements were placed on the municipality's website.

Nature

The monthly budget statements did not reflect the following particulars for that month and for the financial year up to date, as the templates for submission of S71 reports do not make provision for this additional information:

- i) explanation of any material variances from the entity's projected revenue by source; and from the entity's expenditure projections;
- ii) explanation of any material variances from the service delivery agreement and business plan; and
- iii) explanation of any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the entity's approved budget.
- iv) a projection of revenue and expenditure for the rest of the financial year, and any revisions from initial projections.
- v) amounts reflected in the monthly budget statement were in each case compared with the corresponding amounts budgeted for in the entity's approved budget.

The monthly budget statement were in electronic format only and a copy of the signed document was not available.

The monthly budget statements were not placed on the Municipality's website as the website is still under construction

Cause

The templates issued by National Treasury to compile the monthly budget statements do not take into account all the requirements of the MFMA.

Impact

Non-compliance to laws and regulations.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management should implement controls to ensure compliance with laws and regulations. Checklists should be formulated that take into account all legislative / regulatory requirements.

Management response

Agree

Name: E Hall

Position: ACFO

Date: 16 November 2012

Auditor's conclusion

Management comment noted. This will be included as a non-compliance matter in the audit report

18. EX.105 - Compliance - Non-compliance to DoRA 11(2)(c) Transfer of funds and / or conditional grants

Audit finding

DoRA 11(2)(c) states that within 30 days after the end of each quarter, the accounting officer reported to the transferring national officer and the National Treasury on:-

- i) non-financial performance against programmes, in respect of Schedule 4 allocations other than the Municipal Infrastructure Grant (Cities); and
- ii) performance for that quarter against the targets stipulated in the infrastructure performance framework that was required in terms of the allocation framework, in respect of the Municipal Infrastructure Grant (Cities).

Nature

A quarterly report was not submitted to National Treasury on the performance for that quarter against the targets stipulated in the infrastructure performance framework that was required in terms of the allocation received in respect of the Municipal Infrastructure Grant.

Cause

Insufficient monitoring controls to monitor compliance with laws and regulations.

Impact

Non-compliance to laws and regulations.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management to formulate control measures to ensure compliance with all applicable laws and regulations.

Management response

Auditor's conclusion

19. EX.117 - Non payments of loan resulting in fruitless & Wasteful expenditure

Audit finding

Section 62(1)(d).1 of the MFMA Stipulates:

The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:
That unauthorized, irregular or fruitless and wasteful expenditure and other losses are prevented

Nature

During the audit of long term liabilities of the Ventersdorp Local Municipality it was confirmed that loan payments as per the loan agreements were never made, this resulted in penalties amounting to R1,005,684.25 (loan 1) charged and R1,252,506.61 (loan 2) on the INCA Loans. These penalties amount to fruitless and wasteful expenditure. However, the amount disclosed in the

financial statements relating to fruitless and wasteful expenditure (note 40) is 1 185 049, therefore the disclosure note is understated by R 1073 142.

Cause

Non compliance with loan agreements
Lack of controls to prevent fruitless and wasteful expenditure

Impact

Non payments of loans results in penalties charged by the respective loan providers, that also results in fruitless and wasteful expenditure
Non-compliance with section 62 of the MFMA

Internal control deficiency

Leadership
Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management should implement proper control procedures to ensure compliance with the respective loan payment dates and avoid unnecessary penalties.

Management response

Agree. Management could not meet this commitment to repay the loan due to financial constraints.

Name: Esmarie Hall
Position: Acting CFO
Date: 16 November 2012

Auditor's conclusion

Management comment noted. This will result in a qualification on the fruitless and wasteful expenditure disclosed in the financial statements.

20. EX.118 - Information requested not submitted for audit - Indigent debtors

Audit finding

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—(a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;(b) any of the assets of or under the control of the auditee; or (c) any staff member or representative of the auditee.

Nature

During the audit of receivables the following information was not submitted for audit purpose

Request for information no 63

Request Dated - 05 November 2012

Outstanding information:

- Application forms of the indigent and the supporting document;
- Steps taken to monitor and limit usage of water by indigents to the quota allocated to them to ensure consumption is not higher than subsidy granted

ID NUMBER	SURNAME
7023347797	sithole m d
7028158868	malefo j s
7023351039	mabea m a
^07028162167	mere o v
5004840426	molebatsi g b
4208215548087	medupe b i
7028153448	mogale l p
7028569189	motlhajwa m c
7028580020	mokatsi p t
7028161748	sadire b s
5701290169086	ntlatlane n j
4804225506089	letsoge l l
6706055722082	segoe l s
8007145357080	molefe p s
3405065203083	moroke m e
631109591088	booyesen m
5105090120082	molefe a
2408110199083	mini m k
5012165862087	ndzima p h
4504245290082	molebatsi m a
5901100962087	nzima h n
4508125470086	lehloo s b
3310120147085	sehawa a t
5904260607088	mtjamba n m
3607205229080	nantswe u m
5205170433080	mngadi m s
5509190812086	maake md
5403045383081	jonkers b
4902015230082	mahalalelwan f j
5303105780087	kalaote k s

Cause

Lack of proper systems in place to ensure that information requested is submitted on time

Impact

Non compliance with section 15.1 of the PAA.

Limitation of scope as the completeness and accuracy of revenue cannot be verified as no evidence was submitted to prove how the municipality monitors the usage of water and electricity by indigent debtors

Internal control deficiency

Financial and Performance Management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Recommendation

Management should ensure that information that is requested is submitted within the required time frame

Management response

Auditor's conclusion

No formal comment received. This impacts the valuation of debtors. Consequently the valuation of debtors cannot be determined which will result in a qualification on consumer debtors disclosed in the financial statements.

21. EX.119 - Evidence of approval of stock adjustment not submitted

Audit finding

Section 62(c).1 of the MFMA Stipulates:

The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

that the municipality has and maintains effective, efficient and transparent systems—

- (i) of financial and risk management and internal control; and
- (ii) of internal audit operating in accordance with any prescribed norms and standards;

Nature

During the audit of the Inventory of the Ventersdorp local Municipality, evidence of approval of the stock adjustment was not submitted for audit purpose, as a result we could not confirm the validity of the stock adjustment journals.

Details are as follows:

Shortfall Qty	Shortfall Value	Surplus Qty	Surplus Value
2340	86,482.27	86	14,234.72

Cause

Lack of proper systems in place to ensure that information requested is submitted on time

Impact

Non compliance with section 15.1 of the PAA.

Limitation of scope as the existence of these debtors cannot be verified.

Internal control deficiency

Financial and Performance Management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Recommendation

Management should ensure that information that is requested is submitted within the required time frame

Management response

Agree. Stock shortage list is tabled to council during Sept 2012 meeting. Stock counts are now performed quarterly to ensure better management

Name: E Hall

Position: ACFO

Date: 16 November 2012

Auditor's conclusion

Management comment noted. However this will not result in a material misstatement.

Cash flow statements

22. EX.25 - Cash flow movements in the Cash Flow Statement are inaccurate

Audit finding

GRAP 1.17 states that financial statements shall present fairly the financial position, financial performance and cash flows of an entity.

Nature

The following discrepancies were identified on the Cash Flow Statement:

- A variance of R189 118 was identified on revenue and grants received. Total revenue and grants received recalculated was R98 681 530 compared to R98 492 412 recorded in the Cash Flow Statement.
- Increase in consumer debtors differs by R1 800 to that of managements workings. Managements working is R10 401 030 and the amount recalculated is R10 402 830.
- Corrections and adjustments differ by R1 799 to that of managements workings .Managements working is R6 949 977 and the recalculated amount is R6 948 178
- Management could not clarify what the other cash item of R884 713 is made up of.
- Unspent conditional grants of R18 022 823 have been included both under revenue and grants and other cash items.

Cause

Incorrect application of GRAP 2. Annual Financial Statements were not reviewed for accuracy prior to submission for audit.

Impact

The cash-flow statement is materially misstated both qualitatively and quantitatively.

Internal control deficiency

Financial and performance management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

Management should implement controls to ensure the timely preparation of financial statements in order to enable adequate review of the financial statements. Adjustment of the Cash Flow Statement to ensure that the Cash Flow Statement is mathematically accurate.

Management response

Auditor's conclusion

No formal comment received. This will result in a modified audit opinion on the cash flow statement.

23. EX.37 - Breakdowns / explanations for movements in the Cash Flow Statement requested but not received

Audit finding

Section 15.1 of Public Audit Act, states that when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

- (a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
- (b) any of the assets of or under the control of the auditee; or
- (c) any staff member or representative of the auditee.

Nature

The following information was requested but not received within the three day turn-around time as agreed / where information was received, this was incomplete and the mathematical accuracy was not clear as the calculations did not agree to the amounts disclosed on the Cash Flow Statement:

Request no.24

Information requested:

Cash Flow Statement calculations to support the line items revenue and grants received (R 98 492 412),

Payments to suppliers (R72 851 649), Other Cash item (R20 550 850) and prior year adjustments (R6 949 977).

Cause

Too much reliance was placed on the work performed by the Consultants; the financial statements prepared by Consultants were not reviewed prior to submission.

Impact

The Cash Flow Statement presented in the Annual Financial Statements is not accurate, which may affect the audit opinion.

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Insufficient controls to ensure that financial information is accurate, complete and supported with reliable information.

Recommendation

Financial Statements to be reviewed by Management prior to submission. Management to obtain an understanding of the work performed by Consultants to ensure effective knowledge / skills transfer takes place.

Management response

Agree. PWC has already made changes to the cashflow statement

Name: E Hall

Position: Acting CFO

Date: 14 November 2012

Auditor's conclusion

The revised financial statements were reviewed. Supporting calculations for cash payments to suppliers and other non-cash items were not provided, therefore the finding remains which will result in a modification in opinion on the cash flow statement.

Commitments

24. EX.76 - Understatement of commitments

Audit finding

GRAP-framework

Reliability

.48 To be useful, information must also be reliable. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent, or could reasonably be expected to represent.

.115 The second criterion for the recognition of an item is that it possesses a cost or value that can be measured with reliability as discussed in paragraphs .48 to .55 of this framework.

Nature

Commitments at 30 June 2012 were disclosed as the total contract value per the contractual agreement and not as the contractual amount less accumulated expenditure incurred to date.

The effect of this is an overstatement of R7 059 304.22 of the commitments disclosed at year end. (R20 253 171 contract amount - R13 193 866.78 amount net of expenditure to date)

In addition, the following contract was omitted from total commitments at year end:

Contract number - 32/VLM/ENG/2011/2012

Contract value - R8 473 641.66

Expenditure incurred to date - R1 299 388.88

Net contract value - R7 174 252.78

The combined effect of both these errors is a net difference of R132 948.56 understatement.

Cause

Lack of proper review, monitoring and reconciliation controls

Impact

Understatement of commitments disclosed in the annual financial statements.

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

Management should implement controls to ensure the accuracy, completeness and fair presentation of the financial statements by implementing financial statements reviews prior to submission for audit.

Management response

Auditor's conclusion

No formal comment received. This was not adjusted in the financial statements. However the net impact is immaterial, therefore will not impact the audit opinion on commitments.

Contingent liabilities

25. EX.81 - Schedule / breakdown of contingencies was not received

Audit finding

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

- (a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
- (b) Any of the assets of or under the control of the auditee; or
- (c) Any staff member or representative of the auditee.

Section 95(b) of the Municipal Finance Management Act, states that the accounting officer of the municipal entity must keep full and proper records of the financial affairs of the municipality.

Nature

The following information was requested which was not received for audit:

Request no: 40

Date requested: 17 October 2012

Information requested:

- A schedule detailing the current year contingent liabilities (Note 34 of the annual financial statements);
- The process used by the municipality to identify any contingent liabilities;
- All documents to support the 'breach by council in respect of contractual agreements' line in note 34 of the annual financial statements; and
- A break down and clarity on what 'other' in note 34 of the annual financial statements refers to.

Cause

Lack of proper record keeping controls

Impact

Misstatement of Contingent Liabilities.

Limitation of scope, as there is no schedule of contingencies or information on how the Municipality arrived at the figure of R 7 370 667 disclosed as contingencies in the annual financial statements.

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

Management should ensure that the figures in the financial statements are supported by sufficient appropriate supporting documents which must be readily available for audit purposes

Management response

Who supplied PWC with the contingent liability list and amount?

Name: Esmarie Hall

Position: Acting CFO
Date: 16 November 2012

Auditor's conclusion

Contingent liabilities were revised in the adjusted financial statements and a supporting schedule provided. The schedule was agreed to legal confirmations received and a variance of R90 000 was identified. This is immaterial, therefore the contingent liability disclosed is reasonable.

Heading 1

26. EX.2 - Financial statements were not reviewed by the Audit Committee prior to submission for audit

Audit finding

Section 166 (2) (b) of the MFMA states that an Audit Committee is an independent advisory body which must review the Annual Financial Statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.

Section 7.4. of the Ventersdorp Local Municipality Audit Committee Charter stipulates that the Audit Committee is responsible for evaluating the financial statements and annual report, acting under the guidance of the external auditors. The objective of the review is to ensure that disclosure is adequate and that fair presentation is achieved, including contingent liabilities, such as any outstanding litigation.

Nature

The audit committee did not review the financial statements for the period under review, as is stipulated in the Audit Committee Charter, prior to submission for audit to the Auditor General South Africa

Cause

The financial statements were not submitted to the Audit Committee within a reasonable timeframe to facilitate review prior to submission for audit.

Impact

- Non-compliance with s.166 (2) (b) of the MFMA and s.7.4 of the Audit Committee Charter; and
- Credibility and objectivity of the financial statements prepared in reference with the affairs of the Auditee is not enhanced.

Internal control deficiency

Financial and performance management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Management failed to implement controls over the timely preparation of the annual financial statements.

Recommendation

The municipality should implement controls to ensure the timely preparation and submission of the annual financial statements in order to facilitate review by the Audit Committee.

Management response

Acting Chief Financial Officer agreed to the finding and submitted that there was not adequate time available for the AC to review after the process of compilation of AFS started late on 23 July 2012. AFS compilation must start during June to ensure adequate time for year-end reviews and review of the compiled AFS by relevant stakeholders.

Auditor's conclusion

Management comment acknowledged. Audit finding will be reported on in the management letter.

27. EX.3 - Annual Performance Report not reviewed by the Audit Committee prior to submission

Audit finding

Section 7.4. of the Ventersdorp Local Municipality Audit Committee Charter:

The Audit Committee is responsible for evaluating the financial statements and annual report, acting under the guidance of the external auditors. The objective of the review is to ensure that disclosure is adequate and that fair presentation is achieved, including contingent liabilities, such as any outstanding litigation.

Nature

The municipality's report on predetermined objectives pertaining to the year under review was not reviewed by the audit committee for reliability, accuracy and completeness of information prior to submission for audit.

Cause

The report on predetermined objectives was not submitted to the Audit Committee in a timely manner to enable adequate review by the Audit Committee.

- Non-compliance with the Audit Committee Charter; and
- Reliability, completeness and accuracy of the report on predetermined objectives not enhanced

Internal control deficiency

Financial and performance management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Management failed to implement controls over the timely preparation of the annual financial statements.

Recommendation

The municipality should implement controls to ensure the timely preparation and submission of the annual financial statements in order to facilitate review by the Audit Committee.

. Note

Management response

Municipal Manager agree to the finding and submitted that the though the report have been compiled and submitted, the template used was rejected and send back by AC for review. It was not submitted again for review to AC.

Auditor's conclusion

Management response acknowledged. Audit finding will be reported on in the management letter.

28. EX.5 - Non-submission of quarterly reports on performance measurement to the Audit Committee by Internal Audit

Audit finding

Section 40 of the MSA: Monitoring and review of performance management system.—A municipality must establish mechanisms to monitor and review its performance management system.

Section 165 (2) (b) (v) of the MFMA : The internal audit unit of a municipality or municipal entity must advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to performance management.

Section 7.7: Review of Performance of Performance Management System: The functions of the audit committee shall include review quarterly of performance reports submitted by Internal Audit Activity.

Nature

The internal audit function did not submit quarterly reports on performance measurement to the audit committee for the year under review.

Cause

The non-submission was due to the municipalities ineffective Performance Management System and non-submission of quarterly performance reports to internal audit by management.

Impact

Non - compliance with section 165 (2) (b) (v) of the MFMA.

The internal audit function did not assist management in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. Weaknesses in internal control relating to the Performance Management System were not identified and corrected.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Management did not ensure oversight responsibility by ensuring that quarterly reports were prepared and submitted timely.

Recommendation

Management should prepare and submit performance reports quarterly to enable Internal Audit to evaluate the system, report to the Audit Committee and to ensure effective performance of their functions.

Management response

Finding was incorrect and it was agreed to revoke it and reword it correctly

Auditor's conclusion

As agreed, the cause behind the non-submission reflected on the audit finding to be non-submission of quarterly reports to internal audit by management.

Internal audit, however, still has a responsibility to advise the audit committee on matters relating to performance management, including the root cause behind the non-submission of quarterly reports and the ineffective PMS.

29. EX.7 - Performance evaluations not conducted for S.67 employees

Audit finding

MSA Section 67 (1) (d) states that a municipality, in accordance with applicable law and, subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72 (1) (c), to ensure fair, efficient, effective and transparent personnel administration, including the monitoring, measuring and evaluating of performance of staff.

Nature

Management does not periodically review and evaluate s.67 employees relative to their assigned roles, nor are there compensative procedures in place to monitor results relating to job performance.

Cause

This is due to the fact that compensation and promotion of s.67 employees within the municipality is not based on achievements and performance.

Impact

Instances of under/non-performance may not be identified, and s.67 employees may not be provided constructive job performance counselling in such instances.

Internal control deficiency

Leadership:

Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored

Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

Recommendation

Management should ensure that performance appraisals are conducted for all s.67 employees. Performance appraisals to clearly identify areas in which the employee is performing well as well as areas that require improvement.

Management response

Internal Audit Manager comment that the requirement to evaluate the performance for only the Municipal Manager employed under section 57 of the MSA. This will be the Directors and the Municipal Manager and acting Chief Financial Officer. The Performance Management System of the municipality must include these evaluations to support bonuses paid to directors, chief financial officer and the municipal manager.

Human Resource Manager agrees to the finding and need to consult with the unions for support to implement the staff evaluations.

Auditor's conclusion

Management response noted. Follow up will be performed once consultation with Unions has been finalized

30. EX.10 - Formal risk assessment not performed

Audit finding

Section 62.(1) MFMA Act states that: the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—

(b) That full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards;

(c) (i) that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

The municipality did not perform a formal risk assessment during or pertaining to the year under review. Upon enquiry, it was also established, via the request for information, that the municipality does not have a formal risk assessment plan and strategy in place.

Cause

The municipality is not committed to identifying risks relevant to financial and performance reporting objectives.

Impact



Risks relevant to financial and performance reporting objectives may not be detected, dealt with and preventative measures put in place in a timely manner. In addition this results in non-compliance to MFMA 62 (1) (b) and (c) requirements.

Internal control deficiency

Governance

Implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored

Management did not implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored

Recommendation

Management must ensure that there is an integrated management strategy and risk assessment plan that considers the entity wide objectives and relevant sources of risk from internal management factors and external sources. In addition management must establish a control structure to address those risks and ensure that a formal risk assessment is performed

Management response

Municipal Manager agree with this finding and submitted that PWC are appointed to assist with a formal risk assessment.

Auditor's conclusion

Management comment noted. This will be included in the audit report.

Immovable assets

31. EX.56 - Non-existence of title deeds for Land and Buildings owned by the municipality

Audit finding

In terms of MFMA Act 62 (1) - An accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

(b) that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Nature

The municipality provided a list of properties which is in the municipality's name.

Upon request of the title deeds only 5 title deeds were provided for the 2300 properties on the list.

The following are the title deeds which were provided:

No.	Property
-----	----------



1	Portion 9 of ERF 417 Ventersdorp Township
2	Erf 912 Ventersdorp Township
3	Erf 914 Ventersdorp Township
4	Erf 48 (PARK) MOOSA PARK TOWNSHIP
5	RESTERENDE GEDEELTE VAN GEDEELTE 74 ('N GEDEELTE VAN GEDEELTE 2) VAN DIE PLAAS ROODEPOORT 191

Cause

Documentation lost / missing due to a fire. The Municipality is still in a process to obtain the original title deeds from the Deeds Office.

Impact

Property owned by Municipality cannot be verified. This may impact the audit report.

Internal control deficiency

Financial and performance management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Lack of controls to ensure that financial information is supported with relevant information.

Recommendation

Management should put controls in place to ensure adequate record keeping of documents.

Management should contact the Deeds Office and arrange for proof of ownership of the above mentioned properties.

Management response

Disagree to the cause – the reason for not having the title deeds, is due to a fire that destroyed this years ago

Agree that we do not have the title deeds

AG should reconsider their main purpose of this particular request. It is to give assurance that this property belongs to Vsd LM. However, a different way to establish ownership were provided to the AG (list received from deeds office)

Name: E Hall

Position: ACFO

Date: 2/11/2012

Auditor's conclusion

Cause updated. The Title Deeds listing obtained from the Deeds Office was updated in June 2011, therefore not updated to reflect current ownership of the Municipality. In addition this listing does not provide property values / costs, therefore valuation of property still cannot be ascertained.

Movable assets

32. EX.16 - PPE: Assets on the Fixed Asset Register are not bar-coded**Audit finding**

In terms of section 63(1) (a) of the MFMA, *“The accounting officer of a municipality is responsible for the assets of the municipality, including the safeguarding and the maintenance of those assets.”*

Further, section 63(2) states that, *“The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure:*

1. • *That the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;*
2. • *That the municipality’s assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*
3. • *That the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.”*

Nature

During the audit of property, plant and equipment it was discovered that the individual assets in the Fixed Assets Register were not assigned a unique asset number for identification purposes. Therefore assets cannot be physically verified for audit purposes.

Cause

Ineffective control measures in place regarding the recording and monitoring of fixed assets

Impact

- Unable to verify assets recorded on the fixed asset register, thus existence of assets cannot be confirmed.
- Material misstatement of assets in the financial statements

Internal control deficiency

Financial and performance management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Management is not implementing proper record keeping ensuring that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Recommendation

Management should review the asset register and ensure that all assets are bar coded with a unique reference number and are at the location specified on the asset register.

Management response

Auditor's conclusion

No management comment received. This results in a limitation as the existence, valuations and allocation, rights and obligations of fixed assets cannot be determined.

33. EX.21 - Inadequate Fixed assets register

Audit finding

In terms of section 63(1) (a) of the MFMA, *"The accounting officer of a municipality is responsible for the assets of the municipality, including the safeguarding and the maintenance of those assets."*

Further, section 63(2) states that, *"The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure:*

1. • *That the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;*
2. • *That the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and*
3. • *That the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."*

According to the asset management policy an adequate fixed asset register should contain the following information for each asset:

- Depreciation method
- Useful life
- Depreciation
- Carrying amount
- Accumulated depreciation
- Additions, Disposals, Transfers
- Date of acquisition
- Date of disposal
- Revaluations
- Source of financing
- Description
- Location
- Historical cost
- Classification

Nature

Based on review conducted on the asset register with 2 490 assets with a total value of R113 255 376 submitted for audit purpose the following information was not included on the fixed asset register:

- Date of acquisition;
- Physical location of the assets; and
- Asset unique number/bar code

Cause

Management does not prioritise on good internal control measures since a similar issue was raised in the prior year which resulted in a modified opinion.

Impact

- Non compliance with MFMA and Asset management policy;
- Existence of assets might not be verified due to physical locations not specified in the asset register, resulting in overstatement of assets in the financial statements;

- The carrying amount of the assets might be materially misstated in the financial statements due to the following not stated in the assets register:
 - Date of acquisition
 - Physical location of the assets
 - Asset unique number/bar code
- Possible modified opinion on capital assets

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

1. • The accounting officer does not exercise oversight responsibility regarding financial reporting and related internal controls.
2. • Management did not develop and monitor the implementation of action plans to address internal control deficiencies regarding asset management.

Financial and performance management

Management does not prioritise good internal control measures to ensure that the municipality complies with applicable laws and regulations.

Recommendation

The accounting officer should enforce adherence to the applicable laws and regulations and internal policies that are in place. Disciplinary actions should be taken against non compliance.

The assets register should be updated to include the following information:

- Date of acquisition
- Physical location of the assets
- Asset unique number/bar code

Assets that do not have bar code should be bar coded

Management response

Auditor's conclusion

No formal comment received. This will result in a modified opinion on fixed assets as the existence, valuation and allocation, rights and obligations and occurrence of fixed assets cannot be determined.

34. EX.23 - Asset identified with nil or R1 value

Audit finding

GRAP 17.56 states that the residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

If an entity made an appropriate estimate of the useful lives, residual values and depreciation of an asset based on the information available at the previous reporting dates, it continues to measure the assets at R0, and discloses the fact that it has fully depreciated assets still in use.

Where an entity has fully depreciated assets because it did not appropriately apply the principles of GRAP 17 on Property, Plant and Equipment, e.g. because it did not review the useful lives or residual values of assets at previous reporting dates, or because it did not use information that it had available at previous reporting dates appropriately, this results in an error in accordance with GRAP 3.

GRAP 17.56 states that the residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

If an entity made an appropriate estimate of the useful lives, residual values and depreciation of an asset based on the information available at the previous reporting dates, it continues to measure the assets at R0, and discloses the fact that it has fully depreciated assets still in use.

Where an entity has fully depreciated assets because it did not appropriately apply the principles of GRAP 17 on Property, Plant and Equipment, e.g. because it did not review the useful lives or residual values of assets at previous reporting dates, or because it did not use information that it had available at previous reporting dates appropriately, this results in an error in accordance with GRAP 3.

Nature

Through review of the fixed asset register submitted for audit a total of 81 assets were identified with a nil/ R1 value. This was as a result of the fact that the municipality did not conduct a review of useful life and residual value of assets. As a result the assets values could be understated because the useful lives and residual values might have changed from the initial assessment. The assets identified are as follows:

No.	CLASIFICATION	SEGMENT / SERVICE	DESCRIPTION	30/06/2005	FINANCE	COST	ACC DEPR	VA
1	COMMUNITY ASSETS BUILDINGS COMMUNITY CENTRES	PARKS & RECREATION	Boikhutso (Goedgevonden) Communtiy Hall		MIG		-	
2	COMMUNITY ASSETS SECURITY MEASURES FENCING	CEMETARY	FENCE NEW GRAVE YARD	9,576.00	Income	9,576.00	9,576.00	
3	COMMUNITY ASSETS SECURITY MEASURES FENCING	CEMETARY	GATES	389.00	Income	389.00	389.00	
4	COMMUNITY ASSETS SECURITY MEASURES FENCING	CEMETARY	FENCE HELDEAKKER	110.00	Income	110.00	110.00	
5	COMMUNITY ASSETS SECURITY MEASURES FENCING	CEMETARY	FENCE OLD GRAVEYARD	1,800.00	Income	1,800.00	1,800.00	
6	COMMUNITY ASSETS SECURITY MEASURES FENCING	CEMETARY	FENCE HELDE AKKER	3,900.00	Income	3,900.00	3,900.00	

7	COMMUNITY ASSETS SECURITY MEASURES FENCING	ELECTRICITY	PALISIDE FENCE AT WATER PUMP STATION	7,110.00	MIG	7,110.00	7,110.00
8	COMMUNITY ASSETS SECURITY MEASURES FENCING	ELECTRICITY	PALISADE FENCING WATER PUMP STATION	512.00	MIG	512.00	512.00
9	COMMUNITY ASSETS SECURITY MEASURES FENCING	ELECTRICITY	PALISADE FENCING WATER PUMP STATION	5,365.00	MIG	5,365.00	5,365.00
10	COMMUNITY ASSETS SECURITY MEASURES FENCING	ELECTRICITY	PALISADE FENCING WATER PUMP STATION	65,089.47	MIG	65,089.47	65,089.47
11	COMMUNITY ASSETS SECURITY MEASURES FENCING	ELECTRICITY	PALISADE FENCE WATER PUMP STATION	4,612.00	MIG	4,612.00	4,612.00
12	COMMUNITY ASSETS SECURITY MEASURES FENCING	ELECTRICITY	PALISADE FENCE WATER PUMP STATION	16,991.23	MIG	16,991.23	16,991.23
13	COMMUNITY ASSETS SECURITY MEASURES FENCING	LIBRARY	LABRARY UPGRADING	401,681.87	Income	#####	401,681.87
14	COMMUNITY ASSETS SECURITY MEASURES FENCING	MUNICIPAL BUILDINGS	FENCE COMMUNITY HALL	1.00	Income	1.00	1.00
15	COMMUNITY ASSETS SECURITY MEASURES FENCING	MUNICIPAL BUILDINGS	FENCE MUN. BUILDING	7,968.00	Income	7,968.00	7,968.00
16	COMMUNITY ASSETS SECURITY MEASURES FENCING	PUBLIC WORKS	FENCING OF OLD OXIDATION PONDS (MIG)	94,154.88	MIG	94,154.88	94,154.88
17	COMMUNITY ASSETS SECURITY MEASURES FENCING	PUBLIC WORKS	FENCING OF OLD OXIDATION PONDS (MIG)	35,978.71	MIG	35,978.71	35,978.71
18	COMMUNITY ASSETS SECURITY MEASURES FENCING	TRAFFIC	FENCE POUND VEHICLE	87.00	Income	87.00	87.00
19	COMMUNITY ASSETS SECURITY MEASURES FENCING	WATER	PALISIDE FENCE AT WATER PUMP STATION	18,401.00	MIG	18,401.00	18,401.00
20	HERRITAGE ASSETS	MUNICIPAL MANAGER	ROTTANG COFFEE TABLE GLASS TOP	0	Income	0.00	-
21	INFRASTRUCTURE ASSETS SECURITY MEASURES FENCING	ELECTRICITY	BUILDINGS AND FENCE	324.00	Income	324.00	324.00

22	INFRASTRUCTURE ASSETS SECURITY MEASURES FENCING	FIXED PROPERTIES	FENCES	0.00	Income	1,317.00	1,317.00	
23	INFRASTRUCTURE ASSETS SECURITY MEASURES FENCING	FIXED PROPERTIES	FENCES	2,897.00	Income	2,897.00	2,897.00	
24	INFRASTRUCTURE ASSETS SECURITY MEASURES FENCING	PARKS	PARKS FENCES	0.00	Income	39.00	39.00	
25	INFRASTRUCTURE ASSETS SECURITY MEASURES FENCING	PARKS	FENCES	14,924.70	Income	14,924.70	14,924.70	
26	INFRASTRUCTURE ASSETS SECURITY MEASURES FENCING	SEWERAGE	FENCES	0.00	Income	1,341.00	1,341.00	
27	OTHER ASSETS EMERGENCY EQUIPMENT FIRE	FINANCE	FIRE EXTINGUISHER 66/0610	0.00	Loans Redeemed	0.00	-	
28	OTHER ASSETS EMERGENCY EQUIPMENT FIRE	FINANCE	AST BRAWO LL4/660	0.00	Loans Redeemed	0.00	-	
29	OTHER ASSETS EMERGENCY EQUIPMENT FIRE	FIREBRIGADE	MOET GESOEK WORD	672.00	Income	0.00	-	
30	OTHER ASSETS EMERGENCY EQUIPMENT FIRE HOSES	FIREBRIGADE	SUCKING PIPES RUBBER	1,750.00	Loans Redeemed	1,750.00	1,750.00	
31	OTHER ASSETS FURNITURE & FITTINGS CHAIRS	MUNICIPAL BUILDINGS	METAL PLASTIC CHAIR GREY	0.00	Loans Redeemed	0.00	-	
32	OTHER ASSETS FURNITURE & FITTINGS CHAIRS	MUNICIPAL BUILDINGS	COUNCILOR CHAIR WOOD, BROWN LEATHER	0.00	Loans Redeemed	0.00	-	
33	OTHER ASSETS FURNITURE & FITTINGS CHAIRS	MUNICIPAL BUILDINGS	COUNCILOR CHAIRS HIGH, WOOD,BROWN,LEATHER	0.00	Loans Redeemed	0.00	-	
34	OTHER ASSETS FURNITURE & FITTINGS CHAIRS	MUNICIPAL BUILDINGS	MAYOR CHAIR WOOD, BROWN, LEATHER	0.00	Loans Redeemed	0.00	-	
35	OTHER ASSETS FURNITURE & FITTINGS CHAIRS	MUNICIPAL BUILDINGS	METAL, PLASTIC CHAIR GREY	0.00	Loans Redeemed	0.00	-	

36	OTHER ASSETS FURNITURE & FITTINGS TABLES / DESKS	MUNICIPAL BUILDINGS	METAL PLASTIC CHAIR GREY	0.00	Loans Redeemed	0.00	-
37	OTHER ASSETS FURNITURE & FITTINGS TABLES / DESKS	MUNICIPAL BUILDINGS	COUNCIL TABLE FRONT	0.00	Loans Redeemed	0.00	-
38	OTHER ASSETS FURNITURE & FITTINGS TABLES / DESKS	TOWN SECRETARY	MAYOR CHAIN LARGE	0.00	Loans Redeemed	0.00	-
39	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	FINANCE	CD'S	0.00	Loans Redeemed	0.00	-
40	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	PUBLIC WORKS	MECER 3 BTN MOUSE M712011344	0.00	Loans Redeemed	0.00	-
41	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	PUBLIC WORKS	MECER WIN. KEYBOARD AB0216393	0.00	Loans Redeemed	0.00	-
42	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	PUBLIC WORKS	MECER COLOUR SCREEN TT61E2732	0.00	Loans Redeemed	0.00	-
43	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	PUBLIC WORKS	MECER PENTIUM MMX	0.00	Loans Redeemed	0.00	-
44	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	PUBLIC WORKS	2GIG HDD, 16 MEG	0.00	Loans Redeemed	0.00	-
45	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	PUBLIC WORKS	RAM 32 SPEED CD AKA090836	0.00	Loans Redeemed	0.00	-
46	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	PUBLIC WORKS	4 MEGRAM	0.00	Loans Redeemed	0.00	-
47	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	FINANCE	48 MEG HDD 085 BPC 008940	0.00	Loans Redeemed	0.00	-

48	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	FINANCE	ARCHE COLOUR SCREEN 129500894	0.00	Loans Redeemed	0.00	-
49	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	100MHz 16K 1GIG HDD + 8XCD	0.00	Income	0.00	-
50	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	MECER 101 KEYBOARD K 001895	0.00	Income	0.00	-
51	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	MICROSOFT 2 BUTTON M 1000481 630 MOUSE / PAD	0.00	Income	0.00	-
52	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	GOLDSTAR COLOUR SCREEN 259N6501189A	0.00	Income	0.00	-
53	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	US ROBSTICK FAX MODUM 0911463073778	0.00	Income	0.00	-
54	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	MECER L528 SPEAKER M100489555	0.00	Income	0.00	-
55	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	HEWLET PACKARD PRINTER NL CC 274451	0.00	Income	0.00	-
56	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	MECER 233 MHz PENT AKA05759 6MMX,16MB RAM	0.00	Income	0.00	-
57	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	MULTIMEDIA SPEAKER AL 0039	0.00	Income	0.00	-
58	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	MECER WINDOWS KEYBOARD AB 016365	0.00	Income	0.00	-
59	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	MECER 3 BTN MOUSE M712010723	0.00	Income	0.00	-

60	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	MECER COLOUR SCREEN TT 16E2144	0.00	Income	0.00	-
61	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	MUNICIPAL MANAGER	HEWLET PACKARD PRINTER NL BB 818961	0.00	Income	0.00	-
62	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	MECER 3 BTN MOUSE M 403848379	0.00	Loans Redeemed	0.00	-
63	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	ACER 101 KEYBOARD K6346173691	0.00	Loans Redeemed	0.00	-
64	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	ARCHE COLOUR SCREEN 129500935	0.00	Loans Redeemed	0.00	-
65	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	MANNES MANN PRINTER 4H1914	0.00	Loans Redeemed	0.00	-
66	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	101 KEYBOARD KB 20351420	0.00	Loans Redeemed	0.00	-
67	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	SUNSHINE B/W SCREEN 21054596	0.00	Loans Redeemed	0.00	-
68	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	AUWA KEYBOARD C67171866	0.00	Loans Redeemed	0.00	-
69	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	GENIUS MOUSE 96081369	0.00	Loans Redeemed	0.00	-
70	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	WEN COLOUR SCREEN 649003156	0.00	Loans Redeemed	0.00	-
71	OTHER ASSETS OFFICE EQUIPMENT COMPUTER HARDWARE	TOWN SECRETARY	PRETIGE SPEAKERS 677	0.00	Loans Redeemed	0.00	-

72	OTHER ASSETS OFFICE EQUIPMENT AIR CONDITIONERS	TOWN SECRETARY	SANYO AIRCON 0005308	3,321.07	Income	3,321.07	3,321.07
73	OTHER ASSETS PLANT AND EQUIPMENT FIREARMS	TRAFFIC	SHOTGUN 62366PR152	0.00	Loans Redeemed	0.00	-
74	OTHER ASSETS PLANT AND EQUIPMENT FIREARMS	TRAFFIC	PISTOL 9 MM 00169	0.00	Loans Redeemed	0.00	-
75	OTHER ASSETS PLANT AND EQUIPMENT FIREARMS	TRAFFIC	REVOLVER ANTIQUE 4397	0.00	Loans Redeemed	0.00	-
76	OTHER ASSETS PLANT AND EQUIPMENT LAWNMOWERS	PARKS	PETROL BUSHCUTTER EFCO BOSS	0.00	Income	0.00	-
77	OTHER ASSETS PLANT AND EQUIPMENT LAWNMOWERS	PARKS	PETROL BUSHCUTTER EFCO BOSS	0.00	Income	0.00	-
78	OTHER ASSETS PLANT AND EQUIPMENT LAWNMOWERS	PARKS	LAWN MOWER FALCON, 40/150	0.00	Income	0.00	-
79	OTHER ASSETS PLANT AND EQUIPMENT LAWNMOWERS	PARKS	LAWNMOWER HONDA EXV160	0.00	Income	0.00	-
80	OTHER ASSETS PLANT AND EQUIPMENT RADIO EQUIPMENT	TOWN SECRETARY	MICROPHONE SURE BG 4.0	0.00	Income	0.00	-
81	OTHER ASSETS PROPERTY AND PLANT ELECTRICAL MACHINES	TRAFFIC	HONDA GENERATOR 3742574 PRESS D	0.00	Loans Redeemed	0.00	-

Cause

The above is as a result of management's failure to assess the useful lives and residual values of the assets on a regular basis.

Impact

- The depreciation amount reflected in the annual financial statements will be incorrect as a result of inaccurate useful lives used.
- This may further result in material misstatement in the property, plant and equipment balance disclosed in the annual financial statements.
- Non-compliance with GRAP 17.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Management of the Municipality did not develop adequate processes and procedures in place to ensure that the fixed asset register provided for audit purpose is accurate and complete.

Financial and performance management:

Financial and performance reporting

Management of the Municipality did not prepare accurate and complete financial statements as assets information used was not reviewed annually as required by GRAP 17.

Recommendation

Management should conduct an assessment on useful life and residual values and ensure that the fixed asset register and the financial statements are adjusted with the correct amount.

The fixed assets register should be reviewed on a monthly basis and any discrepancies/non compliance identified should be immediately rectified.

Management response

Agree. An assessment on useful life and residual values will be conducted and reported to the CFO.

Auditor's conclusion

Management response noted. This will result in a misstatement of the fixed asset balances as the residual values and useful lives of assets have not been assessed.

35. EX.70 - Completeness of assets listed in the fixed asset register not verified

Audit finding

Paragraph 6 of the Assets Management Policy states that, *"the Municipal Manager is responsible for management of assets of the municipality, including the safeguard and the maintenance of those assets and must ensure that:*

- The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality."*

Section 63(1) of the MFMA states that *"The accounting officer of a municipality is responsible for the management*

of—

(a) the assets of the municipality, including the safeguarding and the maintenance of those assets;

(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—

(a) That the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;

(b) That the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and

(c) That the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed."

Nature

The assets on the asset register provided for audit does not have bar code numbers as well as the physical location of the assets, as a result we could not verify the completeness of assets included

in the register with a total value of R113 255 376.85. The following sample of 30 items was selected from the floor and could not be traced to the asset register:

No.	Bar code	Description
1	VLM 01369	Printer-Magicolor
2	VLM 00994	LG Aircon
3	VLM03239	Cupboard
4	VLM 01307	Fridge
5	VLM02570	Heater
6	VLM01091	Cupboard
7	VLM02586	Wall Mirror
8	VLM00845	Television
9	VLM00849	Projector
10	VLM04308	Printer
11	VLM00398	Chair
12	VLM00269	Cupboard
13	VLM00277	Table
14	VLM04324	Notice board
15	VLM01305	Microwave
16	VLM00392	Computer
17	VLM01482	Chair
18	VLM01556	Air-conditioner
19	VLM02423	Cupboard
20	VLM01094	Fridge
21	VLM01206	Microwave
22	VLM02572	Dell Laptop
23	VLM01338	Printer
24	VLM04393	Table
25	VLM01504	Cupboard
26	HMP 125 NW	Vehicle
27	VLM04327	Computer
28	VLM02575	Fridge
29	VLM00366	Calculator
30	VLM01054	Ern

Cause

Lack of proper internal controls to ensure that the accounting and safeguarding of assets is maintained.

Impact

Overstatement of assets in the annual financial statements

Non compliance with SCM policy and MFMA

Internal control deficiency

Leadership

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Financial and performance management

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Recommendation

- Management should implement effective measures that will ensure completeness of assets included in the asset register
- Management should adhere to applicable laws and regulations in order to address internal control deficiencies.

Management response

The compilation of the GRAP Compliance asset Register is in progress, all the assets who were verified during the verification process has bar codes, this includes all additions that were acquired during the year, this assets were matched against the asset on the asset register, a list of all unmatched assets was compiled for Council to write off and the meeting never materialized.

This process will finish during the current financial year, all the asset that could not be verified will be removed from the assets register. Infrastructure assets will also be compiled during the year.

Name: CWK Kgosiemang

Position: Manager Budget and Reporting

Date:06/11/2012

Auditor's conclusion

Management comment noted. This will however result in a qualification of the property, plant and equipment balance as the completeness of property, plant and equipment cannot be determined.

36. EX.71 - Annual Financial Statements – Property, plant and equipment not fairly presented

Audit finding

GRAP 17.32 states that an entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

The accounting policy (note 1.2), states that when significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

GRAP 17.64 states that land and buildings are separable assets and are accounted for separately, even when they are acquired together.

GRAP 17.56 states that the residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

If an entity made an appropriate estimate of the useful lives, residual values and depreciation of an asset based on the information available at the previous reporting dates, it continues to measure the assets at R0, and discloses the fact that it has fully depreciated assets still in use.

Where an entity has fully depreciated assets because it did not appropriately apply the principles of GRAP 17 on Property, Plant and Equipment, e.g. because it did not review the useful lives or residual values of assets at previous reporting dates, or because it did not use information that it

had available at previous reporting dates appropriately, this results in an error in accordance with GRAP 3.

Nature

The Municipality failed to choose one of the measurement basis for property, plant and equipment as its accounting policy, as the accounting policy (note 1.2) states that property, plant and equipment is carried at cost less accumulated depreciation and impairment loss and that property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

The disclosure note on property, plant and equipment (note 8) does not detail the major components of property, plant and equipment individually as identified in the accounting policy (note 1.2). Major components of property, plant and equipment that were not accounted for as separate items are as follows:

- Roads and paving;
- Pedestrian malls
- Electricity infrastructure
- Water infrastructure
- Sewerage infrastructure
- Housing infrastructure
- Community improvements
- Recreational facilities
- Security
- Buildings
- Specialist vehicles
- Other vehicles
- Office equipment
- Furniture and fittings
- Bins and containers
- Specialised plant and equipment
- Other plant and equipment
- Landfill sites
- Leasehold property

Land with a carrying value of R3 206 622 is included in the total buildings balance.

Plant and machinery with a cost price of R700 312.93 was identified that was fully depreciated. No disclosure was made as to whether these assets are still in use.

In addition, the following errors were identified with regard to the property, plant and equipment disclosure note (Note 8):

- Finance leased assets reflect a nil cost and accumulated depreciation balance as at 30 June 2012, whereas the carrying value as at 30 June 2011 was R1 042 473. The total cost for finance leased assets as at 30 June 2012 should be reflected as 13 618 320 and the accumulated depreciation as 13 618 320.
- The other income disclosure note (Note 20), reflects vehicles a profit on disposal of vehicles, indicating that vehicles were sold, however, the property, plant and equipment does not reflect any disposals.

Cause

Lack of understanding of GRAP principles as well as a lack of monitoring and review controls of financial statements to ensure financial statements prepared are fairly presented prior to submission for audit.

Impact

Inability to determine the completeness, valuation and allocation, existence and rights and obligations of property, plant and equipment which formed the basis of the disclaimer of the audit opinion in the prior year.

Internal control deficiency

Financial and Performance Management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

- Management should properly review the financial statements prior to submission for audit to ensure that they are accurate and complete.
- Management should choose either the cost model or the revaluation model as its accounting policy and apply that policy to an entire class of property, plant and equipment.
- Property, plant and equipment should be broken down into its components and depreciated accordingly.
- An assessment of the useful lives and residual values of property, plant equipment should be performed at the reporting date and the carrying value and depreciation adjusted accordingly.
- An action plan should be timely developed and monitored to address the assets issues above.

Management response

Agree. Consultants agreed to correct the AFS and re-submit

Name: E Hall

Position: ACFO

Date: 24/10/2012

Auditor's conclusion

Comment noted. Financial statements were not adjusted. This will result in a qualification of the property, plant and equipment balance as the existence, valuation and allocation, rights and obligations and completeness of fixed assets cannot be determined.

37. EX.123 - SCM - Minimum number of quotations not attached

Audit finding

Paragraph 12(1) of SCM policy outlines the following process on procurement of goods and services:

Value of purchase (VAT Inclusive)	Ventersdorp Local Municipality RANGE OF PROCUREMENT PROCESSES
0 – R 200	Petty Cash (One quotation)
R 0 – R 5,000	Direct purchases – (One written quotation)
R 5,001 up to R 10,000	Two verbal/written quotations
R 10,001 up to R 30,000	Three formal written price quotations
R 30,001 up to R 200,000	Three formal written price quotations and; (i) complying with the PPPFA; (Specifically reg.16 - TAX Clearance for amounts above R30,000 - Treasury circular No:29 of 31 January 2006) and; (ii) suppliers to be used on a rotational basis; and (iii) Advertised for 7 (seven) days on notice boards and website of council.
R 200,001 up to R 10 million	A competitive bidding process:- (i) advertised for 14 (fourteen) days on notice boards and website of council; and (ii) Advertised for 14 (fourteen) days in news-papers commonly circulating locally but not limited thereto.
Above R 10 million and Long term Contracts.	A competitive bidding process:- (i) advertised for 30 (thirty) days on notice boards and website of council; and (ii) Advertised for 30 (thirty) days in newspapers commonly circulating locally but not limited thereto.

Paragraph 16(1)(b) of the SCM policy also indicates the following:

"If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer"

Nature

The following were noted on additions of capital assets:

Minimum number of 3 quotations were not attached to supporting documentation for the following transactions:

No.	Date	Description	Segment	Amount
1	2011/08/15	Isuzu Tipper Truck	PUBLIC WORKS INCOME	559 744
2	2011/08/02	Bell Backhoe loader - TLB 315J 4x4	CEMETRY INCOME	525 000
3	2012/06/29	Server	Finance	104 108.97

Total

1 188 852.97

Minimum number of 3 quotations was not obtained for the following transactions noted while testing Procurement processes:

No.	Date	Requisition no.	Vote no.	Description	Amount
1	02/09/2011	7430	1025401122710	Hired Tipper Truck for solid waste removal in TSHING for 8 days	11520.00
2	12/09/2011	7666	1015051155127	Car rented for Mr TD Motlashuping	14867.79
3	10/10/2011	7681	1015051155127	Pay budget car & van rentals for car rented	11389.63
4	01/08/2011	7452	1015051155701	Samsung Rental VOIP Minutesused	25284.89
5	07/06/2012	9797	1015051150010	Advert for director financial services	18160.20
6	21/10/2011	7917	1010055044530	Patitioning of Municipal Offices	142195.00
7	06/09/2011	7432	1025451693905	Increasing water supply to magopa water network (BOREHOLE PUMP INSTALLATION)	20738.88
8	29/11/2011	7653	1010051152401	Printing of IDP/ Budget documents	32376.00

9	26/08/2011	7462	1015051150010	Advert for municipal manager and 3 financial management Interns	31720.00
10	NO DATE	10057	1025055030335	Victory Ticket 108 H/A PW DE Villiers, snyman & HIE MSTRA BOUREKENAAR	100000.00
11	20/03/2012	9324	1020051153655	Training and Installation of CQS Financial System Inv 1077693	154133.47

Total**562385.86**

In addition there was no reason recorded to indicate why the SCM processes were not followed.

The following transactions were tested under expenditure are those which SCM policies and procedures were not applied-the was either no contract in place or the minimum required quotations were not present:

No.	date of purchase order	supplier	amount	vote no.
3	20120330	FRA001 : FRANCOIS VAN DER MERWE	7,036.86	1025501150001.00
4	20110908	ALP001 : ALPHA SPAR	2,602.36	1005101151205.00
5	20111108	ALP001 : ALPHA SPAR	2,535.46	1005101151205.00

9	20120203	HHS001 : HOVINA HYGIENE SERVICES AND STATIONERY	4,950.00	1015051150601.00
10	20120719	BID002 : BIDVEST STEINER	3,051.60	1015051150601.00
15	20120127	POP001 : POPPY'S MOTORS	2,548.27	1005051151520.00
16	20120528	POP001 : POPPY'S MOTORS	4,435.44	1005101151520.00
17	20111222	MOT007 : MOTLATSI SELEKE ATTORNEYS	192,596.33	1015051153320.00
18	20120423	POP001 : POPPY'S MOTORS	20,930.05	1025401151520.00
Total			240,686.37	

In addition there was no reason recorded to indicate why the SCM processes were not followed for the above.

Cause

Lack of understanding of SCM processes

The Municipality does not have a proper filing system in place.

Impact

Non compliance with laws and regulations which will result in irregular expenditure

Internal control deficiency

Financial and performance management

Review and monitor compliance with applicable laws and regulations

Recommendation

Management should adhere to laws and regulations applicable to SCM processes

Management response

Agree, and SCM regulations and laws will be adhered to, when procuring goods and services.

Name: T.I.Banda

Position: SCM SNR CLERK

Date: 19/11/12

Auditor's conclusion

Management comment noted. This will result in non-compliance to be reported in the audit report.

38. Existence of the asset could not be verified**Audit Finding**

Paragraph 6 of the assets management policy states that the Municipal Manager is responsible for management of assets of the municipality, including the Safeguard and the maintenance of those assets and must ensure that:

- The Municipality has and maintains a management, accounting and information system that accounts for the assets of the Municipality,

Section 63. MFMA (1) The accounting officer of a municipality is responsible for the management of—

(a) the assets of the municipality, including the safeguarding and the maintenance of those assets;

(2) The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—

(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;

(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice; and

(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

Nature

A sample of additions on infrastructure assets and buildings to the value of R18 780 492.19 was selected from the asset register and the existence of the following assets could not be verified.

No.	DESCRIPTION	Amount
1	ELECTRIFICATION HOUSEHOLDS APPELDRAAI	133,805.30
2	ELECTRIFICATION HOUSEHOLDS APPELDRAAI	102,721.50
3	ELECTRIFICATION HOUSEHOLDS APPELDRAAI	134,271.00
4	ELECTRIFICATION HOUSEHOLDS APPELDRAAI	291,898.00

5	ELECTRIFICATION HOUSEHOLDS APPELDRAAI	11,413.50
6	ELECTRIFICATION HOUSEHOLDS APPELDRAAI	14,919.00
7	ELECTRIFICATION BOIKHUTSONG	532,115.74
8	ELECTRIFICATION BOIKHUTSONG	173,103.74
9	ELECTRIFICATION BOIKHUTSONG	211,829.58
10	ELECTRIFICATION BOIKHUTSONG	290,445.14
11	INTERNAL ROAD BOIKHUTSO	442,531.86
12	INTERNAL ROAD BOIKHUTSO	573,030.00
13	INTERNAL ROAD BOIKHUTSO	63,670.00
14	INTERNAL ROAD BOIKHUTSONG - CORRECT VAT	188,200.00
15	INTERNAL ROAD BOIKHUTSONG - CORRECT VAT	505,895.25
16	INTERNAL ROAD BOIKHUTSONG	37,051.38
17	INTERNAL ROAD THING EXT3	328,027.94
18	INTERNAL ROAD THING EXT3	211,400.00
19	INTERNAL ROAD THING EXT3	759,960.94
20	INTERNAL ROAD GOEDGEVONDEN	581,674.24
21	INTERNAL ROAD WELGEVONDEN	427,174.12
22	INTERNAL ROAD WELGEVONDEN	367,481.25
23	INTERNAL ROAD WELGEVONDEN	98,843.75
24	INTERNAL ROAD WELGEVONDEN	485,686.27
25	INTERNAL ROAD WELGEVONDEN	974,061.61

26	INTERNAL ROAD WELGEVONDEN	901,960.57
27	INTERNAL ROAD WELGEVONDEN	70,195.29
28	INTERNAL ROAD VENTERSDORP	109,957.67
29	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSO (GOEDGEVONDEN)	229,332.69
30	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSO (GOEDGEVONDEN)	330,000.00
31	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSONG (WELGEVONDEN)	330,000.00
32	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSO (GOEDGEVONDEN)	243,436.69
33	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSO (GOEDGEVONDEN)	244,200.00
34	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSO (GOEDGEVONDEN)	213,725.99
35	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSO (GOEDGEVONDEN)	297,000.00
36	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSO (GOEDGEVONDEN)	183,665.00
37	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSONG (WELGEVONDEN)	66,625.65
38	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSONG (WELGEVONDEN)	341,199.24

39	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSONG (WELGEVONDEN)	330,000.00
40	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSONG (WELGEVONDEN)	58,217.90
41	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSONG (WELGEVONDEN)	107,073.22
42	CONSTRUCTION OF VIP TOILETS IN BOIKHUTSONG (WELGEVONDEN)	234,300.00
Total		12,232,101.02

Cause

Lack of proper internal controls that ensures that the accounting and safeguarding of assets is maintained

Impact

Overstatement of assets in the annual financial statements
Non compliance with SCM policy and MFMA

Internal control deficiencyLeadership

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management should implement effective measures that will ensure that all assets included in the asset register
Management should adhere to applicable laws and regulations in order to address internal control deficiencies.

Management response**Auditor's conclusion**

No formal comment received. This will result in a qualification of the audit report as the existence of fixed assets cannot be determined. Consequently unable to verify the valuation and allocation, existence and rights and obligations of fixed assets.

Revenue**39. Revenue Management: Information for licence and permits requested but not received.**

Audit Finding

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—(a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;(b) any of the assets of or under the control of the auditee; or (c) any staff member or representative of the auditee.

MFMA Section 62 (1) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

b) That full and proper records of the financial affairs of the municipality are kept.

Nature.

The following information for licence and permits was requested and not received as per request 58 on the 05 November 2012.

Evidence (Receipts, report and reconciliation etc.) stating that the following income amounts were received and the transaction took place.

No	Date Period	Vote Number	Account Discription	Transaction Date	Amount
1	201107	1030152113301	LICENCE DIRECT INCOMES	20110720	121,723.96
2	201108	1030152113301	LICENCE DIRECT INCOMES	20110812	94,059.65
3	201109	1030152113301	LICENCE DIRECT INCOMES	20110920	90,212.26
4	201109	1030152113301	LICENCE DIRECT INCOMES	20110921	61,245.87
5	201110	1030152113301	LICENCE DIRECT INCOMES	20111005	59,530.64
6	201110	1030152113301	LICENCE DIRECT INCOMES	20111026	175,927.72
7	201111	1030152113301	LICENCE DIRECT INCOMES	20111101	28,305.33
8	201112	1030152113301	LICENCE DIRECT INCOMES	20111206	106,799.59
9	201112	1030152113301	LICENCE DIRECT INCOMES	20111208	26,998.04
10	201201	1030152113301	LICENCE DIRECT INCOMES	20120113	27,161.90
11	201201	1030152113301	LICENCE DIRECT INCOMES	20120131	28,926.23
12	201203	1030152113301	LICENCE DIRECT INCOMES	20120329	278,540.54
13	201204	1030152113301	LICENCE DIRECT INCOMES	20120405	34,756.29
14	201205	1030152113301	LICENCE DIRECT INCOMES	20120517	29,756.17
15	201206	1030152113301	LICENCE DIRECT INCOMES	20120606	12,628.60

16	201108	1030152113310	LICENCE TESTING GROUNDS	20110812	23,961.00
17	201109	1030152113310	LICENCE TESTING GROUNDS	20110920	22,050.00
18	201109	1030152113310	LICENCE TESTING GROUNDS	20110921	14,700.00
19	201110	1030152113310	LICENCE TESTING GROUNDS	20111005	11,025.00
20	201110	1030152113310	LICENCE TESTING GROUNDS	20111026	31,164.00
21	201111	1030152113310	LICENCE TESTING GROUNDS	20111101	6,321.00
22	201112	1030152113310	LICENCE TESTING GROUNDS	20111206	34,251.00
23	201112	1030152113310	LICENCE TESTING GROUNDS	20111208	5,586.00
24	201201	1030152113310	LICENCE TESTING GROUNDS	20120113	3,234.00
25	201201	1030152113310	LICENCE TESTING GROUNDS	20120131	6,174.00
26	201203	1030152113310	LICENCE TESTING GROUNDS	20120329	35,280.00
27	201204	1030152113310	LICENCE TESTING GROUNDS	20120405	8,526.00
28	201205	1030152113310	LICENCE TESTING GROUNDS	20120517	2,940.00
29	201206	1030152113310	LICENCE TESTING GROUNDS	20120606	1,332.00
30	201206	1030152113310	LICENCE TESTING GROUNDS	20120615	3,675.00

Cause

Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Impact.

Information not received will result in a limitation of scope.

If the above information is not available, it will also results in non compliance to the MFMA sec 62 (1) and PAA sec 15.1

Internal control deficiency.

Financial and performance management:

Proper record keeping and record management; the documents supporting the above are properly filed and easily retrievable

Recommendation

Information requested must be readily available for audit purposes.

Management response

Auditor's response

No formal comment received. However, this will result in a limitation of scope on revenue from licenses and permits.

40. Revenue Management: Meter readings were not taken for a period exceeding three months

Audit Finding

Credit Control and Debt Collection policy Part 9 Referring to Section 101 of the Municipal Systems Act, 2000 (No. 32 of 2000) requires the occupier, owner or tenant of a property to allow municipal officials or the municipality's authorized service provider access to read meters, install or repair meters as well as to discontinue or restrict the provision of service.

The municipal official should have proper authorization and can only request access during reasonable hours.

If the municipality is unable to read any meter on any property because the meter has been rendered inaccessible through any act or omission of the accountholder or owner of the property concerned, the municipal manager shall estimate the consumption of the service concerned by determining the monthly average of the metered consumption recorded on the three most recent accounts in respect of which meter readings were obtained, and thereafter bill the accountholder for the monetary value of such estimated consumption plus a provisional surcharge of ten percent (10%) of such value for the first month in which the metered reading could not be obtained, escalating to twenty percent (20%) in the second month, thirty percent (30%) in the third month, and so on by ten (10) percentage points for each subsequent month, until the meter is again rendered accessible.

Nature

Meters were identified where no meter readings were taken for a period exceeding 3 months. In addition, an estimation was not provided as stated in the policy. No reasons were documented for meter reading not taken.

The estimation should be based on the months that the readings were taken, however the following meters were not charged for outstanding months.

No	CYCL MBOOK	ROUTE NUMBER	ACCOUNT NUMBER	UNIT NUMBER	METER NO
1	1 MB0002	430	50001796	10050000022900000000000000	200
2	1 MB0011	402	40000475	10140000003900000000000000	9189
3	1 MB0006	165	90014016	10050000010800000000000000	353
33	1 MB0058	170	60006240	10620000100700000000000000	704
34	1 MB0058	175	50006241	10620000100800000000000000	771

Cause

Inadequate follow up on meter readings / meters that are not functioning properly by the meter reading Company.

Lack of monitoring of meter sheets by the Municipality for monthly reading performed by the reading company.

Impact

Understatement of Revenue. Customers not billed which may cause financial loss for the municipality.

Internal control deficiency

Financial and performance management:

Implement controls over daily and monthly processing and reconciling of transactions

Recommendation

Management must ensure that the information submitted by the meter reading company is reviewed for any exceptions or anomalies.

Monthly exception reports should be drawn to identify customers who have not been billed / where no estimate was made for three consecutive months.

Management response

Auditor's response

No formal comment received. However, this will result in a qualification on revenue as the completeness of service charges billed cannot be determined.

Operating expenditure

41. EX.61 - Employee identified who did not disclose financial interest in the financial interest disclosure form

Audit finding

Sec 46 (par 2) of the Supply management policy states that an official or other role player:

- (d) Notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favor, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
- (e) Must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the Ventersdorp Local Municipality

Nature

The following employee was identified through CAATs that did not disclose that he/she had a financial interest in the company listed below in which the Municipality traded with during the year.

PERSAL #	SURNAME & INITIALS	Entity	Invoice Date	Invoice no.	Rand
200375	MATTHEWS STANLEY NTJONTJO	TSHEPANANG CATERING SERVICE	24/05/2012	13	30,000.00

Furthermore it was noted that the municipality does not request suppliers to provide declaration of interest for awards made to them, the following are service providers who had not declared their interest while we were testing procurement processes:

No.	Date	Requisition no.	Vote no.	Description	Amount
1	04/10/2011	7744	1005051153675	Catering- Inauguration of Councillors	10700.00
2	05/10/2011	7746	1005051153660	Catering services	19200.00
3	25/11/2011	8369	1025451093905	Installing and replacing pump motor at Boikhutso Village	13735.00
4	06/02/2012	8907	1015051154535	Office stationery for corporate service deptsrtment	15984.05
5	02/09/2011	7430	1025401122710	Hired Tipper Truck for soild waste removal in TSHING for 8 days	11520.00

6	04/11/2011	7997	1020051150610	Computer Software - TM Enterprise security suite - renewal 55 users	18767.98
7	13/06/2012	9843	1020051153655	Computers for interns	16567.20
8	28/11/2011	8223	1005051153660	Trasporting ward committe workshp from 23-24 NOV 211	12000.00
9	28/11/2011	8226	1005051153660	Transporting ward committee members for induction ward 3 from 23-24 Nov 211	17000.00
10	12/09/2011	7666	1015051155127	Car rented for Mr TD Motlashuping	14867.79
11	10/10/2011	7681	1015051155127	Pay budget car & van rentals for car rented	11389.63
12	19/07/2011	6794	1015051153320	Vetting 6 members for criminal record document verification and ITC check	11628.00
13	01/08/2011	7452	1015051155701	Samsung Rental VOIP Minutesused	25284.89

14	10/05/2012	9768	1010055041835	Desktop Computer for committe unit	13562.17
15	18/06/2012	9797	1010055041835	HP Laserjet M4555F copie machine fron traffic department	29634.30
16	07/06/2012	9797	1015051150010	Advert for director financial services	18160.20
17	21/10/2011	7917	1010055044530	Patitioning of Municipal Offices	142195.00
18	10/08/2011	7413	1025351095401	Sewerage truck for sewer and waste water removal in Moosapark and some area in town	33516.00
19	06/09/2011	7432	1025451693905	Increasing water supply to magopa water network (BOREHOLE PUMP INSTALLATION)	20738.88

20	25/10/2011	7981	1015051153320	Ventersdorp municipality/Fleet Africa, Wesbank, GL projects and services and Debtmanager	112767.48
21	29/11/2011	7653	1010051152401	Printing of IDP/ Budget documents	32376.00
22	26/08/2011	7462	1015051150010	Advert for municipal manager and 3 financial management Interns	31720.00
23	NO DATE	7488	1015051150010	Iniswa Promotions T/A governance Forum	40602.24
24	NO DATE	10057	1025055030335	Victory Ticket 108 H/A PW DE Villiers, snyman & HIE MSTRABOUREKENAAR	100000.00
25	30/06/2012	11012	1020051153660	Urgent server	118654.23
26	29/06/2012	11040	1020051153655	Backup executive 2012 server	45185.94

27	20/03/2012	9324	1020051153655	Training and Installation of CQS Financial System Inv 1077693	154133.47
28	28/03/2012	9329	1010051122430	IT support for the month of January 2012 Inv no.in 100385	42750.00
29	15/04/2012	9547	1025351095401	IT Support for the month of February 2012	35112.00
30	25/05/2012	9870	1025351095401	Sewer Sucker.	31840.20
Total					1201592.65

Cause

Non compliance to policies and procedures are not monitored.

Impact

Conflict of interest whereby the companies in which the employee has an interest in may receive preference in the allocation of the contracts.

Internal control deficiency**Leadership**

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

The accounting officer / accounting authority does not exercise oversight responsibility over reporting and compliance

Recommendation

The Supply Chain Management Unit should follow up on all personnel who have not completely or accurately disclosed their interest. Investigation should be conducted into the reasons for non-disclosure

Management response

Agree

Name: E Hall

Position: Acting CFO

Date: 14 November 2012

Auditor's conclusion

Management comment noted. This will result in a non-compliance matter to be reported in the audit report.

42. EX.75 - Non compliance with MFMA S32(4) – Unauthorized, irregular, fruitless and wasteful expenditure

Audit finding

According to MFMA section 32(4), *“The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of—*

- a) Any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality;*
- b) Whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and*
- c).the steps that have been taken—*
 - i) To recover or rectify such expenditure; and*
 - ii) To prevent a recurrence of such expenditure.”*

((Sec 32(6)8(7))

6) The accounting officer must report to the South African Police Service all cases of alleged

- a) Irregular expenditure that constitute a criminal offence; and
- b) Theft and fraud that occurred in the municipality.

(7) The council of a municipality must take all reasonable steps to ensure that all cases referred to in subsection (6) are reported to the South African Police Service if—

- a) The charge is against the accounting officer; or
- b) The accounting officer fails to comply with that subsection.

8) The Minister, acting with the concurrence of the Cabinet member responsible for local government, may regulate the application of this section by regulation in terms of section 168.

Nature

MFMA S32(4) and MFMA (Sec 32(6)8(7) and (Sec 32(6)8(7)) was not complied with since the required reports were not submitted.

Cause

Inadequate design and implementation of controls to ensure and monitor compliance with applicable laws and regulations

Impact

Non -compliance to laws and regulations

Internal control deficiency

Financial and performance management

Review and monitor compliance with applicable laws and regulations

Recommendation

Management should design, implement and monitor controls to ensure compliance with the relevant laws and regulations.

Management response



Agree.

Name: E Hall

Position: Acting CFO

Date: 14 November 2012

Auditor's conclusion

43. EX.77 - Overstatement of unauthorised expenditure.

Audit finding

GRAP-framework

Reliability

.48 To be useful, information must also be reliable. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent, or could reasonably be expected to represent.

.115 The second criterion for the recognition of an item is that it possesses a cost or value that can be measured with reliability as discussed in paragraphs .48 to .55 of this framework.

Nature

A revised schedule was received from management as support or unauthorized expenditure. The balance on the schedule amounted to R11 628 994. Although this amount does not support the current balance of R27 116 186 as disclosed in the annual financial statements, management submitted that this was the correct schedule that would be used to adjust the AFS. However, variances were noted in the budgeted amounts used in the schedule provided to calculate unauthorised expenditure and the approved adjusted budget.

Cause

Inadequate review on the accuracy of the annual financial statements

Impact

Financial statements are misstated - unauthorised expenditure is overstated by R17 975 600.

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

Management should implement and monitor controls to ensure the accuracy, completeness and fair presentation of the financial statements by reviewing the annual financial statements prior to submitting for audit.

Management response

Auditor's conclusion

No formal comment received. An adjustment was made in the financial statements, however, this is still overstated by R 2 488 407 which result in a qualification on unauthorised expenditure.

44. EX.82 - Bulk Purchases: Outstanding information requested**Audit finding**

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorized auditor has at all reasonable times full and unrestricted access to—

- (a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
- (b) any of the assets of or under the control of the auditee; or
- (c) any staff member or representative of the audit.

MFMA Section 62 (1) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

- b) That full and proper records of the financial affairs of the municipality are kept.

Nature

Information relating to bulk purchases i.e. purchase requisitions, payment vouchers, invoices and receipts was requested (request number 45), however, not all the information requested was received. Supporting documents for the following purchases was not submitted

No	Vote Number	Description	VOUCHER NO.	Cheque No	Date	Amount
1	1025501114501	PURCHASE OF ELECTRICITY	TES00100052090	52090	20110816	4,012,216.96
2	1025501114501	PURCHASE OF ELECTRICITY	TES00100052092	52092	20110816	5,197.64
3	1025501114501	PURCHASE OF ELECTRICITY	TES00100052093	52093	20110816	1,566.54
4	1025501114501	PURCHASE OF ELECTRICITY	TES00100052251	52251	20110923	6,001.95
5	1025501114501	PURCHASE OF ELECTRICITY	TES00100052252	52252	20110923	1,552.06
6	1025501114501	PURCHASE OF ELECTRICITY	TES00100052253	52253	20110923	5,544.58
7	1025501114501	PURCHASE OF ELECTRICITY	23		20111025	984.79
8	1025501114501	PURCHASE ELECTRICITY	TES00100052514	52514	20111104	1,946.40

9	1025501114501	PURCHASE OF ELECTRICITY	TES00100052665	52665	20111130	1,938,618.32
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Cause

Lack of effective controls to ensure that supporting documentation for transactions is adequately safeguarded and that Municipal Officers and staff take accountability towards the audit process being performed effectively and efficiently.

Poor record keeping.

Impact

Information not received will result in a limitation of scope.

Internal control deficiency

Financial and performance management:

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Recommendation

Management must ensure that all documentation requested by the auditors is submitted for audit purposes.

Management response

No management response. Only some of the outstanding information was submitted.

Auditor's conclusion

Not all the outstanding information was submitted. Vouchers for the following cheque numbers still outstanding:

Cheque No. 52090.

Cheque No. 52514

Cheque No. 52665

This will result in a qualification of bulk purchase balance

45. EX.107 - Non compliance with SCM procedures**Audit finding**

Paragraph 12(1) of SCM policy outlines the following process on procurement of goods and services:

Value of purchase (VAT Inclusive)	Ventersdorp Local Municipality RANGE OF PROCUREMENT PROCESSES
--------------------------------------	--

0 – R 200	Petty Cash (One quotation)
R 0 – R 5,000	Direct purchases – (One written quotation)
R 5,001 up to R 10,000	Two verbal/written quotations
R 10,001 up to R 30,000	Three formal written price quotations
R 30,001 up to R 200,000	Three formal written price quotations and; (i) complying with the PPPFA; (Specifically reg.16 - TAX Clearance for amounts above R30,000 - Treasury circular No:29 of 31 January 2006) and; (ii) suppliers to be used on a rotational basis; and (iii) Advertised for 7 (seven) days on notice boards and website of council.
R 200,001 up to R 10 million	A competitive bidding process:- (i) advertised for 14 (fourteen) days on notice boards and website of council; and (ii) Advertised for 14 (fourteen) days in news-papers commonly circulating locally but not limited thereto.
Above R 10 million and Long term Contracts.	A competitive bidding process:- (i) advertised for 30 (thirty) days on notice boards and website of council; and (ii) Advertised for 30 (thirty) days in newspapers commonly circulating locally but not limited thereto.

Paragraph 16(1)(b) of the SCM policy also indicates the following:

"If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer"

Nature

The following issues were noted on repairs and maintenance on capital assets. In addition, there was no reasons documented to indicate why the SCM processes were not followed:

A minimum of two quotations were not requested for the following transactions :

No.	Date	Description	Reference	Amount
1	20110817	Sundry Payments TSS001 : TSS TRANSFORMERS CC	1025501091201 Cheque No : 389 Bank No : 777	10000
2	20120426	Sundry Payments CEN001 : CENTRAL ROUTE TRADING 316 BK T/A HIGH POINT ELE	1025501091201 Cheque No : 710 Bank No : 777	8593.9
3	20120328	Sundry Payments CEN001 : CENTRAL ROUTE TRADING 316 BK T/A HIGH POINT ELE	1025501091201 Cheque No : 53241 Bank No : 001	8354.58
4	20120301	Sundry Payments THE008 :	1025501091201 Cheque No : 53071	8220

		THEUNS ELEKTRIES	Bank No : 001	
5	20120302	Sundry Payments THE008 : THEUNS ELEKTRIES	1025501091201 Cheque No : 53077 Bank No : 001	6618
6	20120613	Sundry Payments CEN001 : CENTRAL ROUTE TRADING 316 BK T/A HIGH POINT ELE	1025501091201 Cheque No : 819 Bank No : 777	5691.35

Total**47477.83****A minimum of three quotations were not requested for the following transactions :**

No.	Date	Description	Reference	Amount
1	20120125	Sundry Payments CEN001 : CENTRAL ROUTE TRADING 316 BK T/A HIGH POINT ELE	1025501091201 Cheque No : 52878 Bank No : 001	17857.2
2	20111018	Sundry Payments CEN001 : CENTRAL ROUTE TRADING 316 BK T/A HIGH POINT ELE	1025501091201 Cheque No : 52384 Bank No : 001	17000
3	20120220	Sundry Payments CEN001 : CENTRAL ROUTE TRADING 316 BK T/A HIGH POINT ELE	1025501091201 Cheque No : 585 Bank No : 777	13752.48
4	20120328	Sundry Payments CEN001 : CENTRAL ROUTE TRADING 316 BK T/A HIGH POINT ELE	1025501091201 Cheque No : 53239 Bank No : 001	11361.08
5	20110816	MUNICIPAL BUILDINGS MCL002 : MCLAREN REFRIGERATION	1025051093605 Cheque No : 52095 Bank No : 001	26500

Total**86470.76****No cheque was attached for the following payment made by cheque :**

No.	Date	Description	Reference	Amount
1	20111201	Sundry Payments CEN001 : CENTRAL ROUTE TRADING 316 BK T/A HIGH POINT ELE	1025501091201 Cheque No : 52677 Bank No : 001	11055.69

Cause

Lack of understanding of SCM processes
The Municipality does not have a proper filing system in place.

Impact

Non compliance with SCM policy which might result in irregular expenditure

Internal control deficiency

Financial and performance management

Review and monitor compliance with applicable laws and regulations

Recommendation

Management should implement proper controls to ensure compliance to SCM laws and regulations.

Management response

Some of these suppliers are on standby and submit invoices after completion of the standby and work to be performed

Name: T.I.Banda
Position: SCM SNR CLERK
Date: 19/11/12

Auditor's conclusion

Management comment noted. This does not address all the areas in the finding. Management comment noted. However deviations from the Supply Chain Management regulations result in a non-compliance matter.

48. Distribution losses for water and electricity not calculated and disclosed in the annual financial statements

Audit Finding

Section 62 (c) i of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all, reasonable steps to ensure: that the municipality has and maintains effective, efficient and transparent systems

- (i) of financial and risk management and internal control; and
- (ii) of internal audit operating in accordance with any prescribed norms and Standards

Nature

During the audit it was identified that the distribution losses are not calculated by the municipality in order to allow management of the municipality to:

- Investigate major variances.
- Make sound decision when determining the water and electricity tariffs during the budget process.
- Appropriately report on the distribution losses to the accounting officer and council.
- Take appropriate steps to limit distribution losses and maximise the municipality's profit on the sale of water and electricity.

Cause

Lack of sufficient monitoring and oversight controls to ensure distribution losses are calculated.

Impact

The magnitude of losses are not determined by management, therefore resulting in an insufficient budget process and possible significant financial losses.

Control Deficiency.

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation.

Controls needs to be implemented to ensure that the distribution losses are calculated, investigated, monitored and limited by management.

Management response

Disagree on electricity losses, calculation will be submitted to AG.

Agree on water losses

Name: E Hall

Position: ACFO

Date: 16 Nov 2012

Auditor's conclusion

The distribution losses calculation was reviewed. This was not disclosed in the annual financial statements, therefore the finding will remain. In addition the amounts for electricity purchased and sold do not agree to sale of electricity and bulk purchases as disclosed in the annual financial statements. No calculation was performed for water losses. This will therefore result in a qualification due to the non-disclosure of these losses.

49. SCM: Lack of effective internal monitoring system on SCM processes

Audit Finding

SCM regulation 42 and SCM policy section 42 requires that there should be an effective internal monitoring system to determine, on the basis of a retrospective analysis, whether the authorised SCM processes are being followed and whether the desired objectives are being achieved.

Nature

During the evaluation of SCM processes it was noted that the municipality has implemented a supply chain policy which requires the municipality to have an effective internal monitoring system to assess whether SCM processes are being followed and are being achieved. Upon enquiry with management it was indicated that there is no internal monitoring system in place .

Cause

The above is as a result of management's failure to develop and implement effective controls .

Impact

Unauthorised expenditures as a result of unauthorized SCM processes
Non-compliance with the provisions of the SCM policy and SCM regulations.

Control Deficiency.

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

Management should implement an internal monitoring system for SCM processes.

Management response

Auditor's conclusion

No formal comment received. This will be reported in the audit report as a non-compliance matter.

Predetermined objectives

50. EX.35 - AOPPO: Approved annual performance report not submitted for audit.

Audit finding

MSA s. 46 (1): A municipality must prepare for each financial year a performance report reflecting

- the performance of the municipality and of each service provider
- a comparison of the performance with targets set for and performances in the previous financial year; and
- measures taken to improve performance

In terms of the MFMA s. 126 (1) (a) - The accounting officer of a municipality must prepare the annual financial statements of the municipality and within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor General for auditing.

Nature

The municipality did not submit the approved Annual Performance Report and portfolio of evidence to the AGSA's office for audit.

Cause

The report has not been reviewed by the accounting officer and tabled to Council, as is required prior to submission.

Impact

Non-compliance with the specified MSA and MFMA requirements.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Management does not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

The accounting officer must ensure that, by the 31 August of each year, the municipality has prepared and tabled to Council, the Annual Performance Report in line with the MSA 46 (1) requirements.

Management response

Auditor's conclusion

No formal comment received. This will be reported as a non-compliance matter.

51. EX.84 - AOPO: Non-compliance with MSA s.57 (2) requirements**Audit finding**

MSA s.57 (1) (a) A person to be appointed as the municipal manager of a municipality, and a person to be appointed as a manager directly accountable to the municipal manager, may be appointed to that position only, subject to a separate performance agreement concluded annually as provided for in subsection (2).

MSA s.57 (2) (a) (i) and (ii) The performance agreement referred to in subsection (1) (b) must be concluded within 60 days after a person has been appointed as the municipal manager or as a manager directly accountable to the municipal manager, failing which the appointment lapses: Provided that, upon good cause shown by such person to the satisfaction of the municipality, the appointment shall not lapse; and be concluded annually, thereafter, within one month after the beginning of each financial year of the municipality

Nature

Performance agreements for the following officials were confirmed via inspection to have been signed on the 23/12/11 i.e. 5 months+ after the beginning of the 11/12 financial year;

- Director; Community Services
- Acting Director: Financial Services
- Director: Technical Services

The directors were confirmed via inspection of employment contracts to have been in employment under the municipality by the 01/08/11 i.e. one month after the beginning of the financial year under review.

Cause

Performance agreements were not prepared within one month after the beginning of the 11/12 financial year of the municipality.

Lack of commitment by management and those charged with governance to address compliance and related control issues

Impact

Non-compliance with s.57 (2) requirements.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

There is a lack of oversight responsibility regarding compliance and related internal controls.

Recommendation

Management and those charged with governance should ensure that performance agreements are signed within one month after the beginning of each financial year of the municipality.

Management response

Management agrees with the finding

Name: J Makade

Position: Municipal Manager
Date: 01/11/2012

Auditor's conclusion

Management comment noted. This will be reported as a non-compliance matter.

52. EX.85 - AOP: Non-compliance with s.53(1)(c)(ii) of the MFMA requirements.

Audit finding

MFMA sec 53(1)(c)(ii) states that the mayor of a municipality must take all reasonable steps to ensure that the municipality's service delivery and budget implementation plan is approved by the mayor within 28 days after the approval of the budget.

Nature

The draft Service Delivery and Budget Implementation Plan for the 11/12 financial year was confirmed via inspection of Council Resolution to have been approved on the 31/01/12 (Item C:119/2011-2012).

The Final Budget for the 11/2 financial year was adopted on the 31/05/2011 (Item C096/2010-2011) i.e. there is a 7-month gap between adoption of the budget and the SDBIP.

Cause

Lack of commitment by management and those charged with governance to address compliance and related control issues

Impact

Management implemented the municipality's delivery of municipal services and its annual budget without an approved plan in place.
Non-compliance with s.53 (1) (c) (ii) requirements.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

Recommendation

The mayor should ensure that the municipality's SDBIP is approved within 28 days after the approval of the budget.

Management response

Management agrees with the finding.

Name: J Makade
Position: Municipal Manager
Date: 01/11/2012

Auditor's conclusion

Management comment noted. This will be reported as a non-compliance matter.

53. EX.86 - AOPO: Non-compliance with MFMA s.72 (1) requirements

Audit finding

MFMA sec 72

(1) By 20 January of each year, the accounting officer assessed the first half of the financial year performance of the municipality

(1)(a) The mid-year performance assessment took into account:

ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the implementation plan

iii) the municipality's annual report for the past year and progress on resolving problems identified in the annual report

(1)(b) The mid-year budget and performance assessment report was submitted, by 25 January, to the Mayor, the National Treasury and the relevant provincial Treasury

Nature

The accounting officer had not assessed the financial performance of Municipality the first half of the financial year by the 20th January. The mid-year performance assessment was presented to Council on 20/02/2012.

The mid-year performance assessment took did not take into account:

i) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the implementation plan

ii) the municipality's annual report for the past year and progress on resolving problems identified in the annual report

The mid-year budget and performance assessment report was not submitted to the Mayor, the National Treasury and the relevant provincial Treasury by the 25th January.

The mid-year budget and performance assessment was not placed on the Municipality's website by 31 January, as is required by the Municipal budget and reporting regulations 5 (GNR 393 of 17 April 2009), as the Municipality's website is currently under construction.

Cause

Lack of commitment by management and those charged with governance to address performance management within the municipality

Impact

Non-compliance with MFMA s. 72 (1) (i) and (ii) requirements.

Corrective action, where necessary, may not be taken in a timely manner if the accounting officer does not take into account the required assessments during mid-term reporting.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation



In preparation of the mid-term report for each financial year, the accounting officer should ensure compliance to the MFMA s. 72 (i) and (ii) requirements.

Management response

Auditor's conclusion

No formal comment received. This will be reported as a non-compliance matter.

54. EX.88 - AOPO : Inconsistencies between planned and reported targets

Audit finding

MSA 41 (1): A municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed—

- (a) Set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan.
- (b) set measurable performance targets with regard to each of those development priorities and objectives
- (c) with regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and (b),
 - (i) monitor performance and measure and
 - (ii) review performance at least once per year;

Nature

56% (i.e. 51 out of 91) of Reported planned targets were not consistent or complete when compared with planned targets per SDBIP, as tabulated:

1. The following indicators reflected inconsistent targets when the Annual Performance Report information was compared with SDBIP information

No	Strategic Objective	SDBIP: Planned Indicator	APR:Planned Indicator	SDBIP: Planned target	APR: Planned target	Comment
1	To ensure functionality of the training committee.	Number of training committee meetings held.	Number of training committee meetings held.	31-Mar-12	12	Planned target is a date, reported target is a number
2	To review composition of the OHS Committee.	Date of communication to Directors on proposed nomination of committee members.	Date of communication to Directors on proposed nomination of committee members.	12-Jan-12	Planned target not reflected	Planned target not reflected
3	To avail the graves for the community	Collected money for bookings	Collected money for bookings	To collect R3500 on a monthly basis	R80,000 per annum	Target reflects different amounts to be collected.

4	Promote safety	Promote safety	Number of awareness campaigns conducted	To do awareness campaigns and inspections	4 Awareness campaigns by June 2012	SDBIP does not reflect number of campaigns to be conducted.
5	Promote safety	Promote safety	Number of awareness campaigns conducted	To conduct road blocks	4 Road blocks conducted by June 2012	SDBIP does not reflect number of roadblocks to be conducted.
6	Promote safety	Collected revenue to ensure sound financial matters	Collected license fees an traffic fines to ensure sound financial matters	Value income collected from traffic fines	R4m by June 2012	SDBIP does not reflect amount of income to be collected.
7	Upgraded Bulk Water supply to Ventersdorp	Upgrading of Bulk Water supply for 6183 households by end June 2014	Upgrading of Bulk Water supply for 6183 households by end June 2014	6183	100%	SDBIP reflects target to be a number, APR reflects target to be a percentage.

2. The following planned indicators per SDBIP did not reflect any planned targets per Annual Performance Report

No	Strategic Objective	SDBIP: Planned Indicator	APR: Planned Indicator	SDBIP: Planned target	APR: Planned target
8	Provision of 2.5 km Tar roads - Boikhutsong	Construction of 2.5 km tar road at Boikhutsong by end of June 2012	Construction of 2.5 km tar road at Boikhutsong by end of June 2012	2.5km	
9	To review composition of the OHS Committee.	Date of communication to Directors on proposed nomination of committee members.	Date of communication to Directors on proposed nomination of committee members.	12-Jan-12	
10	Provision of 4.5 km tar roads - Goedgevonden	Design and documentation for provision of 4.5 km Tar road at Goedgevonden by end of June 2012	Design and documentation for provision of 4.5 km Tar road at Goedgevonden by end of June 2012	4.5km	
11	Provision of 5.5 km Tar road - Tshing Ext 3	Design and documentation for provision of 5.5 km Tar road at Tshing Ext 3 by end of June 2012	Design and documentation for provision of 5.5 km Tar road at Tshing Ext 3 by end of June 2012	5.5km	
12	Provision of 1836 houses	Provision of 1836 houses to the poor at Tshing Ext 2, Ext 5 and Tshing Proper before end of June 2012	Provision of 1836 houses to the poor at Tshing Ext 2, Ext 5 and Tshing Proper before end of June 2012	1836 houses	
13	Provision of 920 work opportunities	Provide 920 work opportunities through EPWP registered	Provide 920 work opportunities through EPWP registered projects	920	

		projects			
14	Provision of water to Households with Yard connections at Toevlug	Reticulate 270 households by end of June 2012	Reticulate 270 households by end of June 2012	270	
15	To maintain our electrical network, streets lights and substation to ensure reliable supply at all times	maintained network, street lights and substation	maintained network, street lights and substation	To maintain our electrical network, streets lights and substation to ensure reliable supply at all times	
16	TO maintain the Water Network	Maintained water network	Maintained water network	Maintained water network	
17	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	
18	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	
19	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	
20	Financial Viability and Management	100% payment of contracts paid on due date.	100% payment of contracts paid on due date.		

3. The following indicators reflected planned targets per APR which were not reflected on the SDBIP/planning document

No	SDBIP: Planned Indicator	APR: Planned Indicator	SDBIP: Planned target	APR: Planned target
21	Monthly report to Council on insurance claims processes.	Monthly report to Council on insurance claims processes.		No monthly report submitted to council on insurance claims processes
22	100% statutory payments within due dates: (1) medical aid and insurance- 04th Monthly (2) SARS and pensions -07th monthly (3) garnishees - 31st monthly.	100% statutory payments within due dates: (1) medical aid and insurance- 04th Monthly (2) SARS and pensions -07th monthly (3) garnishees - 31st monthly.		100% statutory payments were conducted within due dates: (1) medical aid and insurance- 04th Monthly (2) SARS and pensions -07th monthly (3) garnishees - 31st monthly

23	Develop an automated contract payment register.	Develop an automated contract payment register.		Contract payment register to be in place
24	Provide regular cash flow reports.	Provide regular cash flow reports.		Monthly report
25	prepare monthly reconciliation accounts.	prepare monthly reconciliation accounts.		Monthly reconciliation
26	Development and approval of internal control and Financial procedure manual.	Development and approval of internal control and Financial procedure manual.		Procedure manual
27	Produce annual Financial statements in terms of the MFMA.	Produce annual Financial statements in terms of the MFMA.		AFS on 31 August 2011
28	Discontinue staff credit facility.	Discontinue staff credit facility.		No staff accounts
29	Council approved tariff policy.	Council approved tariff policy.		Approved tariff policy
30	Council approved credit control policy.	Council approved credit control policy.		Approved credit control policy
31	Council approved indigent lifeline policy.	Council approved indigent lifeline policy.		Approved indigent policy
32	Council approved rates policy.	Council approved rates policy.		Approved rates policy
33	reduction in debtors days from 60 -30 days.	reduction in debtors days from 60 -30 days.		Reduction in debtor's days from 60 -30 days.
34	reduction in debtors by 35%	reduction in debtors by 35%		reduction in debtors by 35%
35	complete basic data cleansing of billing data base.	complete basic data cleansing of billing data base.		Clean billing data base
36	Developed and approved comprehensive revenue enhancement strategy.	Developed and approved comprehensive revenue enhancement strategy.		Developed and approved comprehensive revenue enhancement strategy.
37	Maintain collections level by 75% monthly.	Maintain collections level by 75% monthly.		Maintain collections level by 75% monthly.
38	Developed and approved virement policy.	Developed and approved virement policy.		Developed and approved virement policy
39	Capital funding deficits.	Capital funding deficits.		Avoided Capital funding deficits
40	Operational deficits.	Operational deficits.		Avoided operational funding deficits
41	Approved 2011/2012 budget.	Approved 2011/2012 budget.		Approved 2012/2013 budget.
42	regular, monthly reporting of grants.	regular, monthly reporting of grants.		12 grants reports submitted to treasury.
43	maintain not more than 30% for salary and wage curve of operating budget.	maintain not more than 30% for salary and wage curve of operating budget.		Maintain not more than 30% for salary and wage curve of operating budget
44	Maintain at least 4% for maintenance and repairs of the Operational budget.	Maintain at least 4% for maintenance and repairs of the Operational budget.		Maintained at least 4 % of maintenance and repairs of the Operational budget.

4. The following indicators neither reflected planned targets on the SDBIP nor on the APR, but actual achievements were reflected thereon.

No	SDBIP: Planned Indicator	APR: Planned Indicator	SDBIP Planned Target	APR Planned Target
45	2012/ 2013 budget discussed, determined and submitted in compliance with the budget manager's process plan: November	2012/ 2013 budget discussed, determined and submitted in compliance with the budget manager's process plan: November		
46	Analysis of budget spend quarterly for containment of all cost within budget, grants, income etc. as may be applicable: % overspend in rands	Analysis of budget spend quarterly for containment of all cost within budget, grants, income etc. as may be applicable: % overspend in rands		
47	Create the Business Unit's movable and non-movable asset register used in a proactive manner to monitor, assess and report on asset, condition, location and value: (1) Active register; (2) Numerical counts; (3) Quarterly certification of assets.			
48	Supplier Data Base and System that is fully operational.	Supplier Data Base and System that is fully operational.		
49	Bid processing turnaround time not to exceed stipulated policy provisions (i) 7 day - quotation 14 days turnaround; (ii) Public tender - 75 days turnaround time	Bid processing turnaround time not to exceed stipulated policy provisions (i) 7 day - quotation 14 days turnaround; (ii) Public tender - 75 days turnaround time		
50	Revision of Council approved budget policy.	Revision of Council approved budget policy.		
51	100% payment of contracts paid on due date.	100% payment of contracts paid on due date.		

Cause

Inadequate review of planning and reporting documents prior to submission for approval and audit.

Impact

- Accuracy and completeness of information reported on in the report on predetermined objectives cannot be ensured.
- Measurability of the municipality's performance will be negatively impacted.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

- The Annual Performance Report must report on predetermined objectives as outlined in the annual IDP.
- A formal review of projects should be undertaken during the planning phase to identify projects to be rolled over to the next financial year for inclusion in the IDP.
- The IDP should be amended to reflect approved changes to planned development priorities/objectives, indicators/measures and targets within a reasonable timeframe.[MSA s.34(b)]
- Management must ensure that all directorates make their submissions for inclusion in the IDP prior to adoption and publishing of the annual IDP.

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on predetermined objectives.

55. EX.91 - AOPO: Planned targets not specific

Audit finding

NT Framework for Managing Programme Performance Information, Chapter 3:3 Performance Targets

> A useful set of criteria for selecting performance targets is the "SMART" criteria:

- Specific: the nature and the required level of performance can be clearly identified
- Measurable: the required performance can be measured
- Achievable: the target is realistic given existing capacity
- Relevant: the required performance is linked to the achievement of a goal
- Time-bound: the time period or deadline for delivery is specified.

>Chapter 3:3 Performance Targets: Performance targets should express a specific level of performance that the institution is aiming to achieve within a given time period.

Nature

37% of the planned targets selected and tested for audit (i.e.10 out of 27) were identified not to be specific, as tabulated:

No	Strategic Objective	Planned Indicator	Planned Target
1	To provide library services at Ga Mogopa	Furnish the Ga-Mogopa satellite library and provide reading material as well as staff	Supply reading materials, furniture and staff for Ga-Mogopa satellite library by June 2012.
2	To motivate communities to read Setswana	Organised an event through a competition	To have held an event by March 2012
3	To improve a one-stop centre for access of service	Appointed a Thusong Centre Official	To have appointed an official by March 2012

4	To maintain Sports facilities	Maintained sports facility	To have fenced around by June 2012
5	To avail graves for the community	Collected money for bookings	To collect R3500 on a monthly basis
6	To maintain our electrical network, streetlights and substation to ensure reliable supply at all times	maintained network, street lights and substation	maintained network, street lights and substation
7	To maintain the water network	Maintained water network	Maintained water network
8	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing
9	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing
10	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses

Cause

Management is not conversant with key performance information concepts, including the criteria for good performance indicators and targets.

Impact

Measuring actual achievements against planned targets may not speak directly to the level of performance the municipality seeks to achieve in a financial period.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

The municipality should adhere to the SMART principle in setting planned performance targets.

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on pre-determined objectives.

56. EX.94 - AOPO: Measures to improve performance not supported by evidence

Audit finding

MSA s.46 (1) (c): A municipality must prepare, for each financial year, a performance report reflecting measures taken to improve performance.

Nature

48% i.e. 35 out of 73 performance indicators reflected measures taken to improve performance on the Annual Performance Report. Such measures were not corroborated / substantiated with adequate and reliable evidence, as tabulated:

No	Strategic Objective	Performance Indicator	Planned target	Actual Performance
1	To ensure that Disability forums take place.	Number of disability forums held	4 disability forums held by June 2012	No Disability Forums were held
2	To have youth forums	Number of youth forums held	4 forums by June 2012	No youth forums were held
3	To have women forums	Number of women forums held	4 forums by June 2012	No women's forums were held
4	To ensure that the work skills plan and annual training report are submitted to Council.	Date for submission of the WSP, ATR.	41060	Report submitted to Council on the 24th of July 2012.
5	To ensure that training is attended in terms of the SDP.	Annual Training Report	100% by June 2012	0.23
6	To review the composition of the training committee.	date for submission of the report to Council.	30-Jun-12	None
7	To ensure functionality of the training committee.	Number of training committee meetings held.	30-Jun-12	3 Meetings were arranged, but members did not attend.
8	To review the Skills and Development policy.	Date of submission of the draft to council.	30-Jun-12	none
9	functionality of the Employment Equity Forum	Number of EE meetings held.	4 meetings	0

10	To ensure the Functionality of the LLF.	Number of LLF meetings.	12 meetings	2
11	Functionality of the OHS committee.	Number of meetings held	12 meetings	0
12	Verification of incumbents in positions and staff placement.	Report to the municipal manager	40968	A meeting was conducted and verification was concluded in March 2012
13	Provision of 355 households with access to basic electricity at Boikhutsong (250 households) and Appeldraai (105 Households)	355 households with access to electricity by end of June 2012	355	105 Households were electrified & 250 households are connected but are still to be energised
14	Nr of households below RDP standards	Formalised 896 stands at Tshing Ext 6 and provide basic services	896	150 stands were formalised
15	Nr of households that have access to basic water	250 Households with access to basic water at Rysmierbult	250	None
16	Provision of 3 km Tar road - Welgevonden	Construction of 3km tar roads at Welgevonden by end of June 2012	3km	0.9 km were constructed
17	Provision of 3.5 km Tar roads - Boikhutso	Construction of 3.5 km tar road at Boikhutso by end of June 2012	3.5km	30 % / 1.05 km of road were constructed
18	Provision of 2.5 km Tar roads - Boikhutsong	Construction of 2.5 km tar road at Boikhutsong by end of June 2012	2.5km	not achieved
19	Provision of 1836 houses	Provision of 1836 houses to the poor at Tshing Ext 2, Ext 5 and Tshing Proper before end of June 2012	1836 houses	None
20	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Developed and approved cost control strategy	Completed and approved strategy;	not achieved

21	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Implementation of costs control strategy	Update SDBIP with quarterly targets from activities contained in approved strategy.	not achieved
22	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	100% payment of contracts paid on due date.		80% of contracted services are paid on due dates
23	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Monthly report to Council on insurance claims processes.		
24	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	ensure compliance in terms of the MFMA Act no 56 of 2003, and national treasury regulations	ensure compliance in terms of the MFMA Act no 56 of 2003, and national treasury regulations	not fully compliance with MFMA Act no 56 of 2003, and national treasury regulations
25	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Analysis of budget spend quarterly for containment of all cost within budget, grants, income etc. as may be applicable: % overspend in rand		No Analysis of budget spend quarterly for containment of all cost within budget, grants, income etc
26	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Develop an automated contract payment register.		No contract register developed
27	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Bid processing turnaround time not to exceed stipulated policy provisions (i) 7 day - quotation 14 days turnaround; (ii) Public tender - 75 days turnaround time		Bid processing time exceeded in exceptional cases.

28	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Quarterly report submitted to council indicating the number of awards made to preferential suppliers (women, BEE's, youth, disabled, HDI's)	Annual submission of reports to Council.	Quarterly submitted to Audit Committee
29	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Produce annual Financial statements in terms of the MFMA.		AFS submitted 07 September 2011
30	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	reduction in debtors days from 60 -30 days.		Not achieved, increasing monthly
31	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	reduction in debtors by 35%		Not achieved - debtors increased
32	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	complete basic data cleansing of billing data base.		not achieved
33	To review LED strategy for compliance with legislation	LED strategy reviewed	LED strategy reviewed by Dec 2012	not achieved
34	To ensure alignment between LED strategies and PGDS to comply with legislation	LED strategy and plans aligned	LED strategy and plans aligned with PGDS by Dec 2012	not achieved
35	To conduct consultation meetings to assist SMMEs	Number of LED consultation meetings conducted with stakeholders	Conducting 4 LED consultation meetings with stakeholders by Dec 2012	3

Cause



The process of reporting on predetermined objectives was not adequately prepared for by the municipality.

Impact

Accuracy and completeness of information reported on in the report on predetermined objectives cannot be ensured.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

Measures taken to improve performance must be corroborated by reliable and adequate evidence

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on pre-determined objectives.

57. EX.95 - AOP0: Planned indicators not well-defined

Audit finding

NT Framework for Managing Programme Performance Information;

Chapter 3.2; Performance Indicators:- A good performance indicator should be:

(b) Well-defined: the indicator needs to have a clear, unambiguous definition so that data will be collected consistently, and be easy to understand and use.

Nature

44% i.e. 12 out of 27 performance indicators selected for audit did not meet the 'well-defined' criteria, as tabulated:

No	Strategic Objective	Planned Indicator	Comment
1	To provide library services at Ga Mogopa	Furnish the Ga-Mogopa satellite library and provide reading material as well as staff	Indicator has broad definition (furniture, staff to be provided etc)
2	To motivate communities to read Setswana	Organised an event through a competition	Indicator does not specify event to be held.
3	To avail graves for the community	Collected money for bookings	No link to strategic objective

4	Provision of 535 Households with VIP's in various Villages (Boikhutso, Boikhutsong, Appeldraai, Goedgevonden, Welgevonden)	Provide 535 Households with VIP's in various Villages by end of June 2012	Indicator is a direct duplication of the strategic objective
5	Upgraded bulk water supply to Ventersdorp	Upgrading of Bulk Water supply for 6183 households by end June 2014	Indicator is a direct duplication of the strategic objective
6	Nr of households below RDP standards	Formalised 896 stands at Tshing Ext 6 and provide basic services	Broad, indistinguishable definition
7	Provision of water to households with RDP standard (Tsetse, Goedgevonden, Boikhutsong, Appeldraai)	740 Households with RDP standards by end of Dec 2011	Indicator does not speak to provision of water to households with RDP standards, but speaks of 740 households with RDP standard instead.
8	To maintain our electrical network, streetlights and substation to ensure reliable supply at all times	maintained network, street lights and substation	Indicator is a direct duplication of the strategic objective
9	To maintain the water network	Maintained water network	Indicator is a direct duplication of the strategic objective
10	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	Indicator is a direct duplication of the strategic objective
11	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	Indicator is a direct duplication of the strategic objective
12	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	Indicator is a direct duplication of the strategic objective

Cause



Management is not conversant with key performance information concepts, including the criteria for good performance indicators and targets.

Impact

Performance indicators that are not accurate enough for their intended use may result in inaccurate inputs, activities and an adverse impact on the desired outcome

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

Management must ensure that the municipality sets indicators that have a clear, unambiguous definition and are easy to understand and use.

During the review phase indicators must be evaluated against the criteria to ensure they are well-defined to eliminate any element of ambiguity and different interpretations.

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on pre-determined objectives.

58. EX.96 - AOP0: Planned indicators not verifiable

Audit finding

NT Framework for Managing Programme Performance Information, Chapter 3.2 (c); Performance Indicators:- A good performance indicator should be:

(c) Verifiable: it must be possible to validate the processes and systems that produce the indicator.

Nature

12 out of 27 i.e. 44% of indicators selected for testing were determined not to be verifiable i.e. processes and systems that produce the performance indicator could not be validated, as tabulated:

No	Strategic Objective	Planned Indicator
1	To extend library services for Goedgevonden community	Erected a library structure at Goedgevonden
2	To motivate communities to read Setswana	Organised an event through a competition
3	To improve a one-stop centre	Appointed a Thusong Centre Official

	for access of service	
4	To maintain Sports facilities	Maintained sports facility
5	To avail graves for the community	Collected money for bookings
6	Upgraded bulk water supply to Ventersdorp	Upgrading of Bulk Water supply for 6183 households by end June 2014
7	Nr of households below RDP standards	Formalised 896 stands at Tshing Ext 6 and provide basic services
8	To maintain our electrical network, streetlights and substation to ensure reliable supply at all times	maintained network, street lights and substation
9	To maintain the water network	Maintained water network
10	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing
11	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing
12	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses

Cause

Monitoring processes over performance information and/or controls to compensate for the absence of such a process do not exist.

Management does not follow a results-based approach in monitoring performance

Impact

Measuring performance related to those indicators will be negatively impacted.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation



For each performance indicator set, management must determine and document on the IDP the means by which actual performance relating to the indicator can be verified.

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on pre-determined objectives.

59. EX.97 - AOP: Evidence to substantiate actual achievements per APR not submitted for audit

Audit finding

MSA. s.46: A municipality must prepare, for each financial year, a performance report reflecting the performance of the municipality during that financial year

Nature

The municipality did not submit supporting documentation to substantiate any of the actual achievements reflected on the annual performance report submitted for audit.

Cause

The municipality does not follow a results-based approach in reporting on actual performance against predetermined objectives.

Impact

Accuracy, validity and completeness of reported actual achievements cannot be confirmed.

Internal control deficiency

Financial and Performance Management:

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Recommendation

- Management must support/validate reported actual achievements with adequate and reliable corroborating evidence.
- The portfolio of evidence must be adequately reviewed by the Strategic Planning Directorate for accuracy and completeness prior to submission for audit.

Management response

Auditor's conclusion

No formal comment received. This will result in a disclaimer of opinion in the audit report on pre-determined objectives.

Provisions

60. EX.101 - Provision for rehabilitation of landfill site was incorrectly estimated

Audit finding

GRAP19.19 states that a provision shall be recognised when:

- a) an entity has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount of the obligation.

Nature

A provision of R 2 325 159 was raised for rehabilitation of landfill sites. However, on review of the supporting document on which the provision was based on, noted that this amount is the operating costs to operate the landfill for a period of one year, and not the estimated cost to rehabilitate the landfill site on closure.

The operating costs that are expected to be incurred in the next financial year does not meet the definition of a provision, as such these cannot be provided for at year end.

Cause

Lack of understanding by Management of GRAP principles.

Impact

The amount disclosed in the annual financial statements as the provision for landfill site rehabilitation is misstated.

Due to the complex nature of the rehabilitation costs, alternate procedures cannot be performed. As a result, unable to verify the existence, completeness, valuation and rights and obligations of the provision amount disclosed.

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

The provision should be revised to reflect the estimated costs for rehabilitation of the landfill site. The use of an expert may be necessary to assist with the estimate.

Management response

Auditor's conclusion

No formal comment received. This will result in a material misstatement in the financial statements and consequently a qualification on the provision amount.

Receivables

61. EX.12 - Debtors request for information not submitted

Audit finding

Section 15.1 of Public Audit Act, states that when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to –

- (a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
- (b) any of the assets of or under the control of the auditee; or
- (c) any staff member or representative of the auditee.

Section 95(b) of the Municipal Finance Management Act, states that the accounting officer of the municipal entity must keep full and proper records of the financial affairs of the municipality.

Nature

Supporting documents for the following information requested were not provided for audit purposes which results in contravention of section 15.1 of the Public Audit Act and section 95(b) of the Municipal Finance Management Act:

Request no.20 (Date requested: 12/09/2012)

- Service level agreement between Ventersdorp Local Municipality and Department of Health / Service level agreement between Dr KK District Municipality and Ventersdorp Local Municipality
- File of correspondence between Dr KK District Municipality and Ventersdorp Local Municipality Note

As a result the balance of R311 198.62 reflected as due from Dr KK District Municipality in the annual financial statements could not be validated.

Note

Cause

Requested for information was not supplied for audit purposes. Management did not implement appropriate controls to ensure that proper records of the financial affairs of the municipality are kept and submitted for audit purposes.

Impact

- The Other Debtors balance reflected in the annual financial statements may be overstated
- Limitation of scope relating to other debtors

Internal control deficiency

Financial and Performance Management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Management did not design and implement proper controls to ensure accuracy and validity of information recorded in the annual financial statements.

Recommendation

Management should ensure that information requested is submitted in terms of the engagement letter agreed upon between the Auditor General SA and the Municipality.

The amount of R311 198.62 should be considered for write off as follows:

Dr Bad Debts	R311 198.62	
Cr Other Debtors		R311 198.62

Management response

Agree. However a reconciliation has been submitted to AG.

Name: E Hall
Position: ACFO
Date: 2/11/2012

Auditor's conclusion

Management comment noted. However, the reconciliation does not serve as evidence / confirmation of acknowledgement of debt.

62. EX.13 - Lack of a formal agreement between debtors and the Municipality

Audit finding

The Credit Control and Debts Collection policy 2011/2012 MTEF requires the following:

- Par11 - a notice of default and intended termination of restriction of services should be communicated to the customers;
- Par12 - interest should be charged on arrears together with other penalties for non and or delayed payments by customers; and
- Par17 - an agreement and/or an arrangement should be entered with the customer for payments of accounts in arrears.

Nature

Our audit procedures indicated that the following stipulations in the Credit Control and Debts Collection policy were not complied with:

- Formal agreements were not entered into between the Municipality's accountholders and the Municipal Manager relating to payments of accounts in arrears;
- Default notices and intended termination of services were not issued to customers; and
- Interest and penalties were not charged on customer accounts that were in arrears. The total interest re-calculated / estimated on debtors balances outstanding for more than 90 days at a prime interest rate of 8.5% as at 30 June 2012 is approximately R2 081 001

Cause

The outsourced project was not effectively and efficiently monitored by Management.

Impact



- Interest may not be charged on accounts in arrears resulting in understatement of interest and receivables
- Lack of legal recourse for the Municipality if formal agreements are not entered into with customers.

Internal control deficiency

Financial and performance management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information due to non adherence with policies and procedures.

Recommendation

Management should ensure that projects that are outsourced are regularly reviewed and monitored to ensure that information used to prepare financial statements is accurate and complete.

Management response

Management agrees with the finding. The debtor staff compliment has been insufficient for several years to address debt collection. A request to adjust the organogram and employ a sub-accountant specifically for debt collection have been submitted to human resource during August 2012 by the manager debtors and the Acting CFO. Further implementation of required documentation and processes for debt agreements, interests and termination of services will be implemented after the appointment of a person to address the debt collection.

Name: M de Villiers

Position: Manager Revenue

Date: 6 November 2012

Auditor's conclusion

Management comment noted.

Related Parties

63. EX.60 - SCM - Quotations not obtained

Audit finding

SCM reg. 12(1)(c), 17(a) & 17(c)

(a) Written price quotations were obtained from at least three different prospective suppliers for procurement with a transaction value of between R10 000 and R200 000.

(b) If three written price quotations were not obtained for procurement between R10 000 and R200 000, the reasons:

- i) were recorded and approved by the CFO or an official designated by the CFO; and
- ii) appear reasonable/justified on the basis that it was impossible/impractical to obtain three written quotations.

2. SCM regulations. 12(1)(b) & 16(a) and (c)

Goods and services with a transaction value of between R2 000 and R10 000 were procured without obtaining written or verbal price quotations from at least three different prospective providers and must be approved.

Nature

Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written or verbal price quotations from at least three different prospective providers for transactions entered into with the Supplier listed below.

Noted that Theuns Elektries did not have a contract in place with the municipality yet the supplier is on stand-by to provide services for the Municipality. The total value of the transactions entered into by the municipality with this entity amount to R87 620.25. Inspected a number of invoices for quotations since there is no contract in place, none of the invoices inspected had a minimum of 3 quotations for the supplier. The supplier details are listed below:

PERSAL #	SURNAME & INITIALS	Entity
100077	CORNELIA MARIA ADRIANA STEYN	THEUNS ELEKTRIES

Cause

Lack of adequate controls in place to ensure that applicable laws, regulations and policies are complied with.

Impact

Non-compliance with Chapter 2, Part 2, paragraph 12(1) of the SCM policy, which may result in irregular expenditure.

Internal control deficiency

Financial and Performance Management

Review and monitor compliance with applicable laws and regulations

Inadequate controls in place to monitor compliance with relevant regulations.

Recommendation

Management should enforce compliance to the implemented controls to ensure that goods and services are procured in terms of Chapter 2, Part 2, and paragraph 12(1) of the SCM policy. Corrective / disciplinary action should be instituted against officials who do not comply.

Management response**Auditor's conclusion**

No formal comment. This will result in a limitation of scope on whether supply chain management regulations were complied with or not, which will in turn affect the audit opinion.

VAT**64. Understatement of the VAT liability in the annual financial statements****Audit Finding**

In terms of section 63(2)(b); The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure that the municipality's assets and liabilities are valued in accordance with standards of generally recognized accounting practice.

Nature

During the performance of our audit we noted that the VAT amount in the financial statements does not agree to the amount as per the statement from SARS as at 30 June 2012.

VAT RECEIVABLE AS PER STATEMENT	VAT PAYABLES AS PER AFS	VARIANCE
4,594,691.55	410,854.00	5 005 545.55

Cause

Prior year error not corrected.

Impact

Understatement of the VAT liability in the financial statements

Internal control deficiency

Financial and performance management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Recommendation

Monthly reconciliations should be performed between the VAT balance in the General Ledger and the Statement of Account received by SARS. Any discrepancies should be investigated and corrected.

Management response

Auditor's conclusion

No formal comment received. This will result in a qualification of the VAT balances at year end.

ANNEXURE B: OTHER IMPORTANT MATTERS

65. EX.32 - No approved Fraud Prevention Plan

Audit finding

Section 62(1)(c) of the MFMA states that :

The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all the reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

The Municipality has a draft Fraud Prevention Plan; however, this has not yet been implemented.

Cause

Management does not adhere to applicable laws and regulations

Impact

- Non-compliance with Treasury regulations
- Fraud risks might not be detected since there are no processes in place.

Internal control deficiency

Governance

Those charged with governance have not implemented appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored

Inadequate controls in place to ensure regular risk assessments including fraud are conducted.

Recommendation

Management should prioritise on internal control measures by implementing the Fraud prevention plan.

Management response

Auditor's conclusion

The client subsequently provided the approved Fraud prevention plan, however it has not been implemented therefore the finding remains.

66. EX.58 - Compliance - HR Management (Non-compliance to MSA regulations)

Audit finding

MSA sec 66(1)(b) states that the municipal Manager provided a job description for each post in the staff establishment.

The following non-compliance matters were identified with regard to HR Management:

Nature

Job descriptions were provided for posts on the staff establishment, however, these are not aligned to the updated organisational structure and are dated back to 2002, and therefore not relevant to current roles and responsibilities.

Cause

Job descriptions were not continuously updated with changes in the staff establishment.

Impact

Non-compliance with the Municipal Systems Act.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

The accounting officer / accounting authority does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control

Recommendation

Job descriptions for each post on the staff establishment to be reviewed to ensure that this is updated and aligned to the organisational structure.

Management response

Auditor's conclusion

No comment received. This will be reported as a non-compliance matter.

67. EX.100 - Grants - Information requested not received**Audit finding**

Section 62(c) of MFMA requires that the accounting officer of a municipality is responsible for the financial administration of the municipality and must for this purpose take all reasonable steps to ensure:

that the municipality has and maintains effective, efficient and a transparent system of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards.

According to Section 95(b) of the Municipal Finance Management Act, states that the accounting officer of the municipal entity must keep full and proper records of the financial affairs of the municipality.

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—(a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;(b) any of the assets of or under the control of the auditee; or (c) any staff member or representative of the auditee.

Nature

The following vouchers requested were not submitted for audit purpose

No	Date	Supplier	Amount
1	20120206	WALTONS (PTY) LTD	12,175.80
2	20120207	TRUE TECHNOLOGIES CC	26,750.00
Total			38,925.80

Cause

Ongoing monitoring and supervision is not undertaken by management to ensure that information is accessible and available to auditors upon request.

Impact

Limitation of scope.

Non-compliance with Section 15.1 of Public Audit Act and Section 95(b) of the Municipal Finance Management Act.

Internal control deficiency

Financial and Performance Management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Recommendation

Management must adhere to the 3-day turn-around period in responding to auditor's requests for information, as agreed upon in the engagement letter.

Management response

Auditor's conclusion

No formal comment received. However, this will not result in a material misstatement.

68. EX.102 - Annual Financial Statement - Disclosure of retirement benefit obligation not adequate

Audit finding

GRAP 25.136 states that an entity shall disclose the following information about defined benefit plans:

(b) A reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the reporting period attributable to each of the following:

- i) current service cost;
- (ii) interest cost;
- (iii) contributions by plan participants;
- (iv) actuarial gains and losses;
- (v) foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency;
- (vi) benefits paid;
- (vii) past service cost;
- (viii) entity combinations;
- (ix) curtailments; and
- (x) settlements.

Nature

The following information applicable to the retirement benefit obligation was not disclosed separately in the annual financial statements as required by GRAP 25:

- a) interest cost; and
- b) benefits paid

Cause

Lack of understanding of GRAP reporting requirements.

Impact

Non-compliance to GRAP reporting requirements may impact on the fair presentation of financial statements which will impact the understandability and reliability of the financial statements and could therefore be misleading to the users of the financial statements.

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

Recommendation

Management should implement controls to ensure the timely preparation of the financial statements in order to facilitate review prior to submission for audit. Reference should be made to the GRAP disclosure checklist issued by National Treasury to ensure that the financial statements meet the GRAP reporting requirements.

Management response

Auditor's conclusion

No formal comment received. Inspected the revised financial statements. The interest cost of the comparatives was not disclosed. Therefore the finding remains.

69. EX.106 - Policy and procedure for handling petty cash was not complied with

Audit finding

MFMA NO. 56 OF 2003:

65. Expenditure management.—(1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality

(a) That the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;

(h) That the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;

Ventersdorp Local Municipality Supply Chain Management Policy:

(ANNEXURE "A") POLICY AND PROCEDURE FOR HANDLING PETTY CASH

Supply Chain Management Regulation 12(1)(a) provided for the procurement of goods and services by way of petty cash purchases, up to a transaction value of R2,000 (VAT included); however the Accounting Officer decided in terms of his delegated powers that the maximum permissible amount for financing from petty cash will be limited to R500.00 per transaction.

B. PROCEDURES

1. NON PERMISSIBLE & PERMISSIBLE ACQUISITIONS

1.1 No funds for payment of travelling and subsistence or other personal obligations will be financed through petty cash – these costs will be claimed in the normal way and paid with the applicant's salary or by cheque.

Nature

1. Travelling expenses listed below were financed through petty cash
2. Petty cash requisition forms were not attached to the expenses listed below
3. Petty cash limit as stated as stated in the policy and procedure was exceeded

Suppliers Name	Detail Description	Cheque Date	Cheque No	Cheque Amount	Cheque Amount
Stadstersourier	Sports Funds for Qwa-Qwa Trip	20110923	52274	20,000.00	Supporting document for expense not attached
Stadstersourier	PAY SAA for the MM & Mayor for attending Conference at Durban	20110804	52075	23,625.00	Supporting document for expense not attached
Stadstersourier	PAY SAA Flight for Booking Mr M K Leluma	20110926	52340	4,302.00	
Stadstersourier	Electricity Coupon Tsetse Village for Water Pumping for Month October	20111020	52424	1,500.00	Total amount lesser on the

	2011				attached slip
Stadstersourier	Accommodation for Mayor, Municipal Manager, and Mr Motlashuping 22-24 November 2011	20111122	52572	10,717.70	Supporting document attached
Stadstersourier	South African Airway FLYSAA- Conference Salga at Durban 29-30 August-01 September 2011	20110825	52106	5,462.00	Supporting document attached
Stadstersourier	National Conference (29-30 August, 01 September 2011) Flight for Mr Sidu	20110824	52105	5,471.00	Supporting document attached
Stadstersourier	Flight to Cape Town	20111122	52573	6,839.00	Supporting document attached

1.2. The petty cash vouchers listed below were not submitted for audit purpose

Suppliers Name	Detail Description	Cheque no	Cash Date	Cash Withdrawn
Stadstersourier	Cash Withdrawal	51967	20110811	3,703.00
Stadstersourier	Cash Withdrawal	52101	20110824 20110824	3,196.00
Stadstersourier	Cash Withdrawal	52102	20110824	2,697.00
Stadstersourier	Cash Withdrawal	53216	20110906	7,966.00
Stadstersourier	Cash Withdrawal	53375	20110923	8,000.00
Stadstersourier	Cash Withdrawal	53395	20120525	3,950.00
Stadstersourier	Cash Withdrawal	53636	20120525	2,983.00
Stadstersourier	Cash Withdrawal	53403	20120525	100.00
Stadstersourier	Cash Withdrawal	53559	20120621	3,750.00
Stadstersourier	Cash Withdrawal	53559	20120621	100

Cause

- Lack of review to ensure that the maximum amount permissible for financing from petty cash is limited to R500.00 per transaction.
- Lack of review to ensure that funds for payment of travelling and subsistence or other personal obligations is not financed through petty cash

Impact

Abuse of cash due to the lack of controls over cash withdrawals

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Petty cash is not regularly reviewed to ensure that funds for payment of travelling and subsistence or other personal obligations is not been financed through petty cash

Recommendation

Management should ensure that petty cash is used only for items that qualify for payment from petty cash per the policies and procedures.

Management should ensure that cash amounts withdrawn are limited to to R500.00 per transaction.

Management response

Agree (disagree with the cheques in red – they are normal petty cash requests and supporting documentation are attached)

The A.MM (Mr Leluma) requested to be refunded in cash for claims by himself

Name: E Hall

Position: Acting CFO

Date: 16 November 2012

Auditor's conclusion

Inspected the two cheques disputed, these were resolved. However, the finding remains as the finding still applies to the remainder of the sample. Internal control deficiency will be reported.

70. EX.111 - Appointment requirements not fulfilled

Audit finding

MSA sec 67(1)(a) and (b), 67(2)-(4), states that the municipality developed and adopted appropriate systems (policies) and procedures for:

a) Recruitment, selection and appointment of staff members.

Nature

The following employee has been appointed with effect from 2011/10/03. The employee personnel file has no supporting documentation to clarify whether this appointment was related to a new appointment, a transfer or a deployment.

Employee Name: Selebogo M A

Employee no: 200379

Cause

Employees transferred to the Municipality without relevant supporting documentation.

Impact

Non-compliance to laws and regulations

Internal control deficiency

Financial and Performance Management

Review and monitor compliance with applicable laws and regulations

Recommendation

Supporting documentation on file must indicate whether an employee is newly employed, transferred or deployed. Controls should be implemented to ensure compliance with applicable laws and regulations.

Management response

Disagree. The matter was discussed with AG and it was confirmed that the employee was deployed from the Department of Local Government and Traditional Affairs as part of an intervention to assist municipalities to obtain qualified artisans.

Name: M Human
Position: HR Manager
Date: 2012-11-16

Auditor's conclusion

Inspected supporting transfer documentation. This was not in respect of the employee identified. Therefore the finding remains as the documentation inspected does not confirm that the employee appointed was the same employee specified in the documentation received from Department of Local Government and Traditional Affairs.

71. EX.112 - Employment contract not signed

Audit finding

MSA sec 67(1)(a) and (b), 67(2)-(4), states that the municipality developed and adopted appropriate systems (policies) and procedures for:

- a) Recruitment, selection and appointment of staff members;
- b) Service conditions of staff

Nature

The following employee's employment contract was not signed by the acting/municipal manager:

Employee Name: Ntjontjo M S
Employee Number: 200375

Cause

Employees transferred to the Municipality without relevant supporting documentation.

Impact

Non-compliance to laws and regulations. The appointment may not be valid. No legal recourse against the employee if service conditions are not met.

Internal control deficiency

Financial and Performance Management

Review and monitor compliance with applicable laws and regulations

Recommendation



The employee contract must be signed to validate the employment. Controls should be implemented to ensure compliance with applicable laws and regulations.

Management response

Agree. It is as a result of oversight as the Job Offer was signed by the Municipal Manager.

Name: M Human

Position: HR Manager

Date: 2012-11-16

Auditor's conclusion

Management comment noted. Internal control deficiency will be reported.

72. EX.113 - Employees do not meet the required qualification for the post advertised

Audit finding

MSA sec 67(1)(a) and (b), 67(2)-(4), states that the municipality developed and adopted appropriate systems (policies) and procedures for:

- a) Recruitment, selection and appointment of staff members;
- b) Service conditions of staff

Nature

The employees listed below did not meet the required standard for the posts as advertised (Minimum Grade 12 / Matric):

Name	Employee No	Date Appointed
Mogano T S M	200377	2011/10/03
Mafu S K	200374	2011/10/03
Timmerman B G	200356	2011/10/03
Nche K I	200355	2011/10/03

Cause

Inadequate monitoring controls to ensure compliance to laws and regulations.

Impact

Non-compliance to laws and regulations. Employees that are not competent to perform functions may be employed. This may impact on the effectiveness and efficiency of the Municipality to achieve its targets.

Internal control deficiency

Financial and Performance Management

Review and monitor compliance with applicable laws and regulations

Recommendation

Controls should be implemented to ensure compliance with applicable laws and regulations.

Management response

Agree. These employees were appointed in the office of the mayor and were political appointments.

Name: M Human

Position: HR Manager

Date: 2012-11-16

Auditor's conclusion

Management comment noted. Internal control deficiency will be reported.

73. EX.116 - Grants – Money held in bank account is less than value of unspent conditional grants at year end

Audit finding

Section 62(c) of MFMA requires that the accounting officer of a municipality is responsible for the financial administration of the municipality and must for this purpose take all reasonable steps to ensure:

that the municipality has and maintains effective, efficient and a transparent system of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards

DoRA, Chapter 3.20 states that, despite the provisions of the Public Finance Management Act or the Municipal Finance Management Act relating to roll-overs, any conditional allocation, excluding the Gautrain Rapid Rail Link and the Expanded Public Works Programme Incentive Grant, that is, in the case of a province, not spent at the end of a financial year or, in the case of a municipality, at the end of a municipal financial year, reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

Nature

Unspent conditional grants disclosed on the Financial Statement at 30 June 2012 amounted to R 19 666 137.

However, funds in the primary bank account (ABSA Account, Acc No: 8074375155) of the Municipality where it was indicated that the unspent grants are held is R 12 230 099 as at 30 June

Balance – Unspent grants at 30 June 2012 (as per the AFS)	R 19,666,137.00
Amount as per the bank statement/bank confirmation	R 12,230,099.16
Variance	R 7,436,037.84

Cause

1. Lack of regular/ monthly reconciliation procedures between the balance on the Grant Register and the bank balances where this money is retained.
2. Separate bank account was not opened to retain unspent grants to easily identify portion of unspent grants

Impact

Abuse of funds / grants received for projects that it was not allocated for. Insufficient funds to return back to the National Revenue Fund.

Internal control deficiency

Financial and Performance Management:

Implement controls over daily and monthly processing and reconciling of transactions

Recommendation

1. Monthly reconciliations should be performed by Management between the unspent grants received and the condition met. All discrepancies / variances should be investigated and corrected. All schedules should be supported by relevant documents for grants received and conditions met to identify liabilities with regard to the unspent portion of Grants.

2. Separate Bank Account should be opened specifically for unspent portion of grants.

Management response

Auditor's conclusion

No formal comment received. Non-compliance will be reported.

Heading 1

74. EX.4 - Human Resource Plan not in place

Audit finding

Section 62 (1) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must, for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

Nature

The municipality does not have an HR plan aligned to the strategic plan and budget.

Cause

A gap analysis has not been performed by the accounting officer to determine the gap between the existing and required human resources and the actions necessary to address the gap.

Impact

The recruitment, retention, deployment and development actions cannot be adequately formulated and substantially implemented without an HR Plan in place.

The municipality may not achieve its objectives without adequate resources in place, as would be identified in the HR Plan.

Internal control deficiency

Leadership

Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored

The accounting officer did not exercise oversight responsibility regarding leadership and relate internal controls

Recommendation

The accounting officer should ensure that the municipality formulates an HR plan for each reporting period that is aligned to the strategic plan and budget and which enables management to:

- Assess the human resources necessary to perform the municipality's functions, with reference to the number of employees required, the competencies which those employees must possess; and the capacities (whether permanent or temporary) in which those employees are to be appointed; and
- Assess existing human resources by race, gender and disability as well as by occupational category, organizational component and grade with reference to their competencies training needs and employment capacities.

Management response

Human Resource Manager agree with the finding that a formal HR Plan have not been submitted and filed, however, the recommended analysis and evaluation on the Human Resource of the Municipality have been done in other reports to answer to legislative requirements.

Auditor's conclusion

Management comment acknowledged.

75. EX.6 - Deficiencies in Control Environment

Audit finding

Section 62(c) of MFMA requires that the accounting officer of a municipality is responsible for the financial administration of the municipality and must for this purpose take all reasonable steps to ensure:

That the municipality has and maintains effective, efficient and a transparent system of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards.

Nature

- Management does not foster and encourage a culture that emphasises the importance of integrity and ethical values;
- There is no peer pressure amongst employees for appropriate moral and ethical behavior;

- Management does not identify the relevant financial reporting issues on a timely basis (e.g. issues arising from new transactions or lines of business or changes to accounting standards);
- Management has not established controls over the work performed by external accounting, performance management or other professional as well as controls over the completeness and accuracy of the information provided to and by the external professional. There was for instance no internal review of the financial statements by the municipality;
- Management does not have a strategy to ensure that ongoing monitoring is effective and will trigger separate evaluations where problems are identified or systems are critical and testing is periodically desirable;
- Operating personnel are not required to sign-off on the accuracy of their unit's financial statements and performance reports or held accountable if errors are discovered;
- Inadequate separation of duties / functions to deter fraud. Managers and supervisors are fulfilling the roles of more than one employee; and
- Due to the increased vacancy rate employees have to work excessive overtime to complete assigned tasks.

Cause

Lack of a strategy to ensure that ongoing monitoring including financial and performance control activities is effective and that problems are identified.

Impact

Deficiencies in the control environment elements collectively provide an inappropriate foundation for the other components of internal control.

Internal control deficiency

Leadership

Provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the best interests of the entity

Management did not provide effective leadership to ensure the control environment elements collectively provide an appropriate foundation for the other components of internal control.

Recommendation

An ongoing monitoring of performance and control objectives strategy be implemented that includes the following:

- Strategy that provides for routine feedback and monitoring of performance and control objectives;
- Emphasises the responsibility of programme and operational managers for internal control and that they should monitor the effectiveness of control activities as part of their regular duties;
- Identification of critical operational and mission support systems that need special review; and
- A plan for periodic evaluation of control activities for critical and mission support systems

Management response

Auditor's conclusion

76. EX.83 - PLANNING: Limitation of scope; non-submission of requested information

Audit finding

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—

- (a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;
- (b) any of the assets of or under the control of the auditee; or
- (c) any staff member or representative of the auditee.

Section 95(b) of the Municipal Finance Management Act, states that the accounting officer of the municipal entity must keep full and proper records of the financial affairs of the municipality.

Nature

The following information was requested for audit purposes and not submitted by the client, as is the terms agreed to with the client:

Request No	Date Requested	Information not submitted
4	23-08-12	1. Evidence that policies/procedures are communicated to staff. 2. Management strategy to ensure that ongoing monitoring is effective and will trigger separate evaluations where problems are identified or systems are critical and testing is periodically desirable. 3. Evidence that divisions/directorates are required to sign-off on the accuracy of their unit's financial statements and performance reports.
22	01-Oct-12	1. Status of Findings relating to license department's bank reconciliation for the months March, April and shortage at 11/12 year end.
23	09-Oct-12	1. Council's evaluation of the effectiveness of the audit committee (only 4 out of 11 councilors responded).
46	25 Oct- 12	Licensing Department's reconciliations for the ff periods 1.March 2012 2.April 2012 3.May 2012 4. 11/12 year-end reconciliation.

Cause



Ongoing monitoring and supervision is not undertaken by management to ensure that information is accessible and available to auditors upon request.

Impact

Limitation of scope.

Non-compliance with Section 15.1 of Public Audit Act and Section 95(b) of the Municipal Finance Management Act.

Internal control deficiency

Financial and Performance Management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

Recommendation

Management must adhere to the 3-day turn-around period in responding to auditor's requests for information, as agreed upon in the engagement letter.

Management response

Regarding request 4.

HR Policies and procedures are communicated to staff upon appointment date. Proof thereof can be obtained from Personal Files.

Name: M Human

Position: HR Manager

Date: 12/11/2012

Regarding request 24. Licence department bank reconciliation shortages.

Agree. This is still at investigation stage. In the meantime internal controls are being put in place.

Regarding request 46. Licence department bank reconciliations outstanding

Agree. The senior licensing clerk was requested to make available the 2011/2012 reconciliations. A meeting was held with supervisors regarding internal controls and standard operating procedures which will be enforced.

Name: BJ Mosepele

Position: Dir Community Service

Date: 9/11/2012

Auditor's conclusion

Management comment noted. Reported as internal control deficiencies.

Movable assets

77. EX.22 - No reconciliation between the asset register and the general ledger

Audit finding



In terms of section 63(2) of the MFMA: *The accounting officer must for the purposes of subsection (1) take all reasonable steps to ensure—*
(a) that the municipality has and maintains a management, accounting and information system that accounts for the assets and liabilities of the municipality;
(b) that the municipality's assets and liabilities are valued in accordance with standards of generally recognised accounting practice, and
(c) that the municipality has and maintains a system of internal control of assets and liabilities, including an asset and liabilities register, as may be prescribed.

Nature

During the evaluation of property, plant and equipment it was noted that the municipality does not perform reconciliation between the fixed asset register and the general ledger.

Cause

Lack of adequate skills to perform reconciliations between the asset register and the general ledger

Impact

Discrepancies between the asset register and the general ledger will not be detected and corrected. This may result in material misstatement of property, plant and equipment in the annual financial statements.

Internal control deficiency

Financial and performance management

Implement controls over daily and monthly processing and reconciling of transactions

Management does not prioritise on implementing formal controls over asset management processes.

Recommendation

Monthly reconciliations between the asset register and the general ledger should be performed and any discrepancies should be followed up and investigated.

Management response

Agree. Monthly reconciliations will be compiled and reported to the CFO

Auditor's conclusion

Management response noted.

78. EX.50 - Computer software not accounted for as intangible assets

Audit finding

In terms of GRAP 102 par.11 an asset is classified as an intangible asset if it meets the definition of intangible assets i.e. identifiable, control over a resource and existence of future economic benefits or service potential.

GRAP 102 par.12: An asset meets the identifiability criterion in the definition of an intangible asset when it:

(a) is separable i.e. is capable of being separated or divided from the entity and sold / transferred, licensed, rented or exchanged , either individually or together with a related contract ,asset or liability, or

(b) Arises from contractual right or other legal rights , regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

GRAP 102 par.16: An entity controls an asset if the entity has the power to obtain the future economic benefits or service potential flowing from the underlying resource and to restrict the access of others to those benefits.

GRAP 102 par.20: The future economic benefits or service potential flowing from an intangible asset may include revenue from the sale of the product or service, cost saving, or other benefits resulting from the use of the asset by the entity.

Nature

Based on inspection of the disclosure note 8 (Property plant and equipment) in the Annual Financial Statements it was noted Intangible assets were not disclosed as a separate line item. On further inspection of the Fixed Asset Register, noted that the municipality has assets that meet the definition of intangible assets per GRAP 102.

The following intangible assets were extracted from the municipality's asset register:

No.	CLASIFICATION	DESCRIPTION	COST	ACC DEPR	VALUE
1	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	WINDOWS XP PROFESIONAL & MS OFFICE 2003	2,650.00	2491	159
2	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	MS OFFICE XP BASIC EDITION	20,704.31	19462.05	1242.26
3	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	MS OFFICE PROFESIONAL & ANTIVIRUS EDITION	5,381.09	5058.22	322.87
4	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	DEBITEURE PROGRAM	2,893.48	2604.13	289.35
5	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	ACCESS POINTS	8,443.20	7598.88	844.32
6	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	WINDOW XP	320.00	288	32
7	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	DEBITEURE PROGRAM	44.30	0	44.3
8	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	CORRELWORD PERFECT 735163058208	1.00	0	1

9	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	LEGAL AUDIT	28,845.57	27114.84	1730.73
10	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	MS OFFICE PROFESSIONAL	2,848.24	2677.35	170.89
11	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	MS OFFICE 2003	3,696.52	3474.73	221.79
12	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	ITC LEGAL AUDIT PHASE III	203,296.58	191098.79	12197.79
13	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	HAWARD GRAPHICS 95 017636506882	1.00	0	0
14	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	MS OFFICE 97 0401- 0872495	1.00	0	0
15	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	MS GREETINGS WORKSHOP 093007538454	1.00	0	0
16	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	MS WIN 98 093 007 799 114	1.00	0	0
17	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	TURBO CAD 3D 730526347302	1.00	0	0
18	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	PRINT ARTIST PLATINUM 02062	1.00	0	0
19	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	MS WORKS 95 070- 054RV400	1.00	0	0
20	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	DR SOLOMON'S 11335A- 00-00-775	1.00	0	0
21	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	AFR SPELLING TESTER WORD	1.00	0	0
22	OTHER ASSETS OFFICE EQUIPMENT COMPUTER SOFTWARE	CRONOS UTILITY CD VL19767353417816	1.00	0	0

17256.3

Cause

- Lack of adequate controls in place to identify major categories of assets.
- Lack of adequate skills and knowledge to identify intangible assets



- The municipality contracted consultants to prepare annual financial statements. These financial statements were not subsequently reviewed by Management prior to submission for audit.

Impact

Understatement of intangible assets and overstatement of PPE

Internal control deficiency

Financial and performance management

Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

- Management should ensure that proper controls are in place to identify major categories of assets.
- The annual financial statements should be adjusted to indicate all major categories of assets.
- Management should train their own staff to prepare annual financial statements
- There should be a skills transfer contract between the municipality and the consultants to equip staff with the necessary skills.

Management response

Disagree with the first point under Cause (category of assets are identified in the asset register, it was just disclosed with the other assets.

Disagree with the second point under Cause.

Disagree with the impact of Inadequate fixed asset register.

Agree that the disclosure is incorrect on the AFS, and that the consultant will be requested to correct the disclosure

Name: E Hall

Position: ACFO

Date: 2/11/2012

Auditor's conclusion

Management comment noted. The Fixed Asset Register should be broken down into its components and not grouped as 'other assets'. This is a GRAP requirement, therefore this will be included as a non-material misstatement.

79. EX.109 - SCM: Information requested not submitted

Audit finding

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—(a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;(b) any of the assets of or under the control of the auditee; or (c) any staff member or representative of the auditee.

Section 95(b) of the Municipal Finance Management Act, states that the accounting officer of the municipal entity must keep full and proper records of the financial affairs of the municipality.

The accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices-SCM reg. 16(d)

PPR

5.The 80/20 preference point system for acquisition of services, works or goods up to a Rand value of R1 million.—(1) (a) The f formula must be used to calculate the points for price in respect of tenders (including price quotations) with a Rand value equal to, or above R30 000 and up to

a Rand value of R1 000 000 (all applicable taxes included)—

b. Organs of state may apply the formula in paragraph (a) for price quotations with a value less than R30 000, if and when appropriate.

Nature

The following information extracted by our information systems auditors on officials who have interest in the following awards per request no.73 dated 08 November 2012 was not submitted for audit as at 15 November 2012:

No.	Name of the supplier
1	THEUNS ELEKTRIES
2	TSHEPANANG CATERING SERVICES

The following duplicate transactions from the cash book requested per request no.74 dated 08 November 2012 was not submitted for audit as at 16 November 2012:

No .	Votenummer	Reference	TranDate	Debit Amt	Credit Amt	Status	Payee
1	9,000,027,080,10 1	TES7770000064 7	2012032 7	-	2,790.0 0	Cashed	MOOI VAAL MEDIA
2	9,000,027,080,10 1	TES7770000069 5	2012041 8	-	2,790.0 0	Cashed	MOOI VAAL MEDIA

3	9,000,027,080,10 1	TES0010005299 2	2012020 9	-	3,363.8 2	Cashed	TELKOM
4	9,000,027,080,10 1	TES0010005240 5	2011101 8	-	3,363.8 6	Cashed	TELKOM

5	9,000,027,080,10 1	TES0010005265 9	2011112 8	-	4,009.6 5	Cashed	TECHNOFIN (PTY) LTD
6	9,000,027,080,10 1	TES0010005266 0	2011112 8	-	4,009.6 5	Cashed	TECHNOFIN (PTY) LTD
7	9,000,027,080,10 1	TES0010005273 3	2011121 9	-	4,009.6 5	Cashed	TECHNOFIN (PTY) LTD
8	9,000,027,080,10 1	TES0010005285 3	2012011 0	-	4,009.6 5	Cashed	TECHNOFIN (PTY) LTD

9	9,000,027,080,10 1	200100053063	2012022 8	-	0	4,413.9	Cashed	VSD MUNICIPALIT Y (FLEET AFRICA)
10	9,000,027,080,10 1	200100053323	2012042 4	-	0	4,413.9	Reissue d	VSD MUNICIPALIT Y (FLEET AFRICA)

11	9,000,027,080,10 1	A3500100053323	2012051 1	0	4,413.9	-	Reissue d	VSD MUNICIPALIT Y (FLEET AFRICA)
12	9,000,027,080,10 1	A4700100053350	2012051 4	-	0	4,413.9	Cashed	VSD MUNICIPALIT Y (FLEET AFRICA)

13	9,000,027,080,10 1	TES0010005357 9	2012062 9	-	3	7,437.7	Not Cashed	BLUE TEK
14	9,000,027,080,10 1	TES7770000085 8	2012062 6	-	3	7,437.7	Cashed	BLUE TEK

15	9,000,027,080,10 1	TES7770000048 4	2011102 1	-	0	16,000.0	Cashed	L SEPHAI
16	9,000,027,080,10 1	TES7770000051 4	2011121 5	-	0	16,000.0	Cashed	L SEPHAI

The following information extracted by our information systems auditors on officials who are in service of the state and are in business with the municipality per request no.75 dated 08 November 2012 were not submitted for audit as at 16 November 2012:

No.	Suppliers name
1	ELDOCRETE
2	MOREDI TRADING AND PROJECTS
3	THE TENORS OPERA SINGERS
4	MAJWE MASWEU HOSPITALITY AND TOURISM
5	KAWAMA ENGINEERS AND ASSOCIATES
6	ZIKLAMUNTU AND KATELAMUNTU TRADING

Supporting documentation to the following procurement sample selected from requisitions as advised by management per request no.77 dated 13 November 2012:

No.	Date	Requisition no.	Vote number	Amount
1	02/09/2011	Requisition no.7659	vote no.1015051155127	5003.20

2	05/04/2012	Requisition no.9343	vote no.1020051154535	3594.42
3	20/03/2012	Requisition no.9316	vote no.1020051153660	9798.30
4	16/03/2012	Requisition no.9314	vote no.1020051156610	1750.00
5	14/03/2012	Requisition no.9312	vote no.1015051155701	5118.90
6	NO DATE STATED	Requisition no.1980	vote no.1020051096301	1980.00
7	NO DATE STATED	Requisition no.9307	vote no.1020051153655	9798.30
8	NO DATE STATED	Requisition no.9306	vote no.1020051153655	26085.00
9	01/06/2011	Requisition no.6393	vote no.1025501091201	2664.00
10	13/09/2011	Requisition no.7442	vote no.1025051093605	2827.00
11	11/08/2011	Requisition no.7416	vote no.1025451155715	5985.00
12	26/07/2011	Requisition no.7408	vote no.1025151096301	3520.00
13	29/06/2012	Requisition no.11041	vote no.1020051153655	8307.60
14	29/06/2012	Requisition no.11037		4690.00
15	25/06/2012	Requisition no.11022	vote no.1020051153655	7437.73
16	19/06/2012	Requisition no.11009	vote no.1020051150010	7440.00

17	18/06/2012	Requisition no.11002	vote no.1020051153655	1248.30
18	27/01/2012	Requisition no.8694		8550.00
19	16/01/2012	Requisition no.8684	vote no.10115051150601	6664.00
20	13/01/2012	Requisition no.8680	vote no.1020051153655	5700.00
21	15/12/2011	Requisition no.8664	vote no.1005055044530	28400.00
22	29/03/2012	Requisition no.8944	vote no.1015051150001	4875.00
23	26/03/2012	Requisition no.8940	vote no.1015051150010	2790.00
24	05/03/2012	Requisition no.8927	vote no.1010051150010	3720.00
25	07/02/2012	Requisition no.8908	vote no.1015051154535	3000.00
26	22/02/2012	Requisition no.8977	vote no.1025501091201	4035.60
27	NO DATE STATED	Requisition no.7922	vote no.1035051150001	5664.00
28	04/11/2011	Requisition no.7924	vote no.1030101153615	4360.50
29	05/12/2011	Requisition no.7949	vote no.1030101096301	5254.26
30	17/01/2012	Requisition no.8685	vote no.1015051154535	6500.11

Total**196761.22**

Supporting documentation to the following procurement sample selected from requisitions as advised by management per request no.78 dated 13 November 2012

No.	Date	Requisition no.	Vote no.	Amount
1	30/01/2012	8397	1025351095401	12990.00
2	30/01/2012	8396	1025351095401	10400.00
3	13/03/2012	8991	1010051120620	10908.38
4	25/06/2012	11023	1020051153655	15261.96
5	29/06/2012	11038	1020051153655	12626.64
6	17/01/2012	8290	1020051153655	13880.41
7	15/08/2011	7456	1015051153320	14000.00
8	06/10/2011	7499	1015051151220	11628.00
9	26/04/2012	9759	1015051155120	18697.00
10	05/12/2011	8148	1020051153655	18803.00
11	14/03/2012	9507	1025451093945	21299.19
12	13/04/2012	9534	NOT STATED	16182.30
13	NOT STATED	9540	1025351095401	10964.78
14	30/08/2011	7656	101005115001	11977.40

Total**199619.06**

Supporting documentation to the following procurement sample selected from requisitions as advised by management per request no.79 dated 13 November 2012

No.	Date	Requisition no.	Vote no.	Amount
1	04/11/2011	7998	1015051155120	32983.64



2	05/07/2011	6496	1025301154515	35432.00
3	14/09/2011	7481	1005055044201	114984.00
4	18/11/2011	8366	1025351095401	33516.00
5	11/05/2012	9771	1010055041835	59700.00
6	14/03/2012	9503	1025501091201	196650.00

Total **473265.64**

Due to the fact that information requested was not submitted, the preference point system for quotations could not be tested for confirmation that it was applied.

In addition, through enquiry and request for a recorded list of names of potential providers who submitted quotations together with their quoted prices, we confirmed that none was available. The client does not keep such a record.

Cause

The above is as a result of management's failure to develop and implement effective controls to ensure that safeguard supporting documentation for transactions and to take accountability towards the audit process being performed effectively and efficiently.

Impact

Overrun on the audit fee budget (fruitless and wasteful expenditure),
Application of the the preference point system to quotations above R30 000 could not be tested.
Limitation of scope in the audit of the financial statement items,
Non-compliance with Section 15.1 of Public Audit Act and section 95(b) of MFMA.

Internal control deficiency

Financial and performance management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Management does not adhere to good internal control measures to make sure that all information is submitted for audit purposes timely.

Recommendation

Management should submit all outstanding information as agreed upon per the engagement letter

Management response

Disagree with part of the finding where indicate that information on request no 74 could not be provided – available in the creditors office. The payments were not duplicated, but the same amount applies for every month

Disagree with the impact – overrun on the audit fee budget

Agree with remainder of finding

Name: E Hall
Position: ACFO
Date: 16 Nov 2012

Auditor's conclusion

Management comment noted. However, this was not provided as requested which will result in a limitation of scope on procurement and contract management.

Operating expenditure

80. EX.79 - Disclosure for unauthorized, irregular, fruitless and wasteful expenditure is insufficient

Audit finding

MFMA.125 - Other compulsory disclosures.—(1) The notes to the financial statements of a municipality must include—

d) Particulars of—

- i) Any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable;
- ii) Any criminal or disciplinary steps taken as a result of such losses or such unauthorised, irregular or fruitless and wasteful expenditures; and
- iii) Any material losses recovered or written off;
- e) Particulars of non-compliance with this Act; and
- f) Any other matters that may be prescribed.

Nature

The following disclosure was not included in the disclosure note for unauthorized, irregular, fruitless and wasteful expenditure as is required by the MFMA:

- Whether such expenditure / loss are recoverable
- Any criminal or disciplinary steps taken as a result of such expenditure / loss
- The material losses recovered or written off

In addition reference is made in the disclosure note to the prior financial year (2011).

Reference is made in note 39 to appendix E however, this appendix does not support the amounts reflected in note 39.

Cause

Financials were not reviewed or discussed with the consultants.

Impact

Financial statements are misstated and are thus unreliable /not understandable to decision makers.

Internal control deficiency

Financial and Performance Management

Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information

Recommendation

Management should implement and monitor controls to ensure the accuracy, completeness and fair presentation of the financial statements by properly reviewing the AFS prior to submission for audit.

The financial statements should be adjusted to correct the error in relation to the incorrect accounting period mentioned in the notes and delete the reference Appendix E.

The disclosure in the financial statements should be expanded to include the requirements of the MFMA.

Management response

Agree. The finding will be discussed with PWC and A.CFO to make possible changes and include relevant information if possible.

Name: **E Hall**

Position: Acting CFO

Date: 14 November 2012

Auditor's conclusion

Inspected the revised financial statements. The additional disclosure was not included, therefore finding remains.

Predetermined objectives

81. EX.17 - AOPO: Performance Management System not implemented timely

Audit finding

GNR 796 of 24 August 2001; Local Government; Municipal Planning and Performance Management Regulations, 2001, Regulation 8 states that, *"Adoption of performance management system, stipulates that:*

A performance management system must be adopted before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its Integrated Development Plan."

Nature

During the review of predetermined objectives it was noted that the Municipality had through a Council resolution resolved that the Performance Management System Policy Framework Review for the financial year 2011/2012 be implemented as pilot on the 05/06/2012 i.e. in the last month of the financial year. Therefore during the greater of the year under review there was no performance management framework review in place.

Cause

Lack of commitment by management and those charged with governance to address performance management within the municipality.

- Non-compliance with Reg. 8 of GNR 796 of 24 August 2001.
- Service delivery and institutional progress may not be measured against strategic objectives as set out in the 2011/2012 IDP.

Internal control deficiency

Leadership

- Documented policies and procedures relevant to performance reporting are not established and communicated to enable and support understanding and execution of internal control objectives, processes, and responsibilities
- The accounting officer does not exercise oversight responsibility regarding performance reporting and compliance with laws and regulations.

Recommendation

Management should ensure that the Performance Management System is adopted before or at the same time as the commencement of the process of setting KPI's and targets in accordance with the IDP for each financial year.

Management response

Auditor's conclusion

No management comment received. This will be reported as a non-compliance matter in the audit report.

82. EX.26 – AOPO :Discrepancies identified in the 11/12 SDBIP

Audit finding

MFMA Circular 13 states that the SDBIP **gives effect** to the IDP and budget of the Municipality and the IDP and budget must be **fully aligned** with each other as required by the MFMA

MSA Section 21A (1) requirement: All documents that must be made public by a municipality in terms of a requirement of this Act, the Municipal Finance Management Act or other applicable legislation, must be conveyed to the local community—

- by displaying the documents at the municipality's head and satellite offices and libraries
- by displaying the documents on the municipality's official website, if the municipality has a website as envisaged by section 21B; and
- by notifying the local community, in accordance with section 21, of the place, including the website address, where detailed particulars concerning the documents can be obtained.

Nature

- The performance indicators and targets reflected on the SDBIP could not be traced to the IDP so as to align the performance indicators and targets per SDBIP to the IDP;
- The SDBIP was not aligned to the 2011/2012 budget to ensure that the municipality's planned performance is commensurate with its resources; and

- The municipal manager did not make public the approved SDBIP within ten working days after the mayor has approved the plan via any of the methods determined in s.21A (1) of the MSA.

Cause

Management does not regard the SDBIP as a link between administration, council, and community.

Impact

The SDBIP may not express goals and objectives set by council as quantifiable outcomes that can be implemented by the administration over a period of 12 months.

Internal control deficiency

Leadership

Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

Recommendation

The accounting officer should ensure that the SDBIP provides operational content to the service delivery targets set in the budget and IDP.

Management response

Auditor's conclusion

No formal comment received. This will be reported as a non-compliance matter.

83. EX.87 - AOPO: Indicators and Targets not reflected on the 11/12 IDP

Audit finding

MSA s.26 (i) : An integrated development plan must reflect the key performance indicators and performance targets determined in terms of section 41.

Nature

The 2011/2012 IDP does not reflect performance indicators and related performance targets, as is the requirement.

Cause

The responsibility of drafting the 11/12 IDP was not assigned to employees who are conversant with the MSA. 26 (i) requirements.

Inadequate review of the document by the IDP/PMS/Budget Steering committee.

Impact

Non-compliance with MSA 26(i) requirement.

The municipality may not effectively align service delivery needs with their capacity and budget.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

The accounting officer should ensure that the approved integrated development plan reflects key performance indicators and targets determined in terms of section.41

Management response

Auditor's conclusion

No formal comment received. This will be reported as a non-compliance matter.

84. EX.92 - AOPO: APR submitted for audit does not reflect comparison of prior-year performance

Audit finding

MSA s.46 (1): A municipality must prepare, for each financial year, a performance report reflecting (a) the performance of the municipality and of each external service provider during that financial year

(b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year

Nature

The annual performance report for the year under review was confirmed via inspection not to reflect a comparison of prior- year performance.

Cause

The accounting officer did not align/position the responsibility to integrate and manage performance information to capacitated official/s.

Impact

Non-compliance with MSA 46 (1) requirement.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation



Management should ensure that the annual performance report for each financial year reflects a comparison of prior year performance.

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on pre-determined objectives.

85. EX.93 - AOPO: Measures taken to improve performance not included in APR

Audit finding

MSA s.46 (1): A municipality must prepare, for each financial year, a performance report reflecting:-

- (a) the performance of the municipality and of each external service provider during that financial year
- (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
- (c) measures taken to improve performance

Measures taken to improve performance were not reported in the annual performance report for 55% (40 out of 73) of instances where indicators and/or targets were not achieved, as tabulated:

No	Strategic Objective	Performance Indicator	Planned target	Actual Performance
1	To provide municipal strategic planning.	Percentage community participation and involvement in IDP's, ward committees, budgeting and service	30-Jun-12	No public participation were held and 50% public participation regarding IDP were conducted.
2	To provide municipal strategic planning.	Timeous adoption of SDBIP	30-May-12	
3	To provide municipal strategic planning.	Number of quarterly performance reports developed.	4 quarterly performance reports developed and submitted.	3 quarterly reports were submitted to council
4	To provide municipal strategic planning.	2010/11 Annual Performance Report developed and adopted (s.121)	01-Jan-12	2010/2011 Annual report was not submitted to council
5	Frequency of performance audit conducted by internal audit unit.	Frequency of performance audit conducted by PAC	4 Quarterly performance reports.	4 performance Audit reports were conducted by internal audit unit
6	To ensure that Mayoral imbizo's take place.	Number of izimbizo held	4 by June 2012	No imbizos were conducted

7	To ensure that all legal matters are reported to Council.	number of all reports submitted to Council.	submission of reports to Council.	None
8	To ensure that all reports on by-laws reported to Council.	number of all reports submitted to Council.	submission of reports to Council.	None
9	To ensure that all training committee members are appointed	date of letters to appointed members.	15-Mar-12	None
10	To submit the employment equity reports to DOL.	Date of submission of the employment Equity (EE) reports to the DOL.	30-Sep-11	Reports were submitted on-line to the DOL on the 6th of January 2012
11	To submit the reports to Council on compliance to the EE plan.	Number of reports submitted to council	4 quarterly reports	1
12	To appoint members of the LLF	Date of letter of appointment.	15-Feb-12	None
13	To review composition of the OHS Committee.	Date of communication to Directors on proposed nomination of committee members.	12-Jan-12	0
14	To ensure training for the OHS members.	Number of meetings held	30-Jun-12	Request was submitted on the 23rd of January 2012.
15	To develop the OHS evacuation plan.	Date of submission of draft to Council.	30-Jun-12	Informal Communication to other municipalities without fruitful results
16	To develop the retention policy	Date of submission to Council	30-Jun-12	None
17	To develop the HIV/AIDS policy	Date of submission to Council	30-Jun-12	None
18	To develop the employee wellness programme	Date of submission to Council	30-Jun-12	None
19	To review the organisational structure.	Council Resolution	30-Jun-12	None
20	To fill 3 vacant positions on Top Management level.	Number of filled positions	31-Mar-12	Short listing was conducted on the 6th of December 2011 for the position of the DSP&LED and DCS, but not for the DFS

21	To provide library service at Ga-Mogopa	Furnish the Ga-Mogopa satellite library and provide reading material as well as staff.	Supply reading materials, furniture and staff for Ga-Mogopa satellite library by June 2012	DSAC provided 2 library assistants, reading materials and furniture for Ga-mogopa satellite library
22	To extend the library services for Goedgevonden community	Erected a library structure at Goedgevonden	To erect a library structure by June 2012.	The project was not done
23	To improve a one-stop centre for access of service	Appointed a Thusong Service Centre official	To have appointed and official by March 2012	None
24	Upgraded Bulk Water supply to Ventersdorp	Upgrading of Bulk Water supply for 6183 households by end June 2014	6183	The MOU were signed. The SLA were signed
25	Provision of water to Households with RDP standard (Goedgevonden, Tsetse, Boikhutsong, Appledraai)	740 Households with RDP standards by end of Dec 2011	740	740 stands
26	Provision of 4.5 km tar roads - Goedgevonden	Design and documentation for provision of 4.5 km Tar road at Goedgevonden by end of June 2012	4.5km	Project ready for implementation in 2012/13
27	Provision of 5.5 km Tar road - Tshing Ext 3	Design and documentation for provision of 5.5 km Tar road at Tshing Ext 3 by end of June 2012	5.5km	Project ready for implementation in 2012/14
28	To maintain our electrical network, streets lights and substation to ensure reliable supply at all times	Maintained network, street lights and substation	To maintain our electrical network, streets lights and substation to ensure reliable supply at all times	60% of the street lights maintained
29	TO maintain the Water Network	Maintained water network	Maintained water network	78% maintained water network
30	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	To maintain the entire roads network in Ventersdorp and Tshing	50.65% of network maintenance completed.

31	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	To maintain the sewage Network for the entire Ventersdorp and Tshing	62.35% of sewage network is maintained.
32	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	To ensure regular refuse removal from households and Businesses	85% of refuse removal is done.
33	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	100% statutory payments within due dates: (1) medical aid and insurance-04th Monthly (2) SARS and pensions -07th monthly (3) garnishees - 31st monthly.		
34	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Supply Chain Management procedure manual.	Approved supply chain management procedure Manual	No Supply Chain procedure manual in place
35	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Supplier Data Base and System that is fully operational.		Data base compiled manually and updated frequently.
36	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Development and approval of internal control and Financial procedure manual.		Not in place due to time constraints and incapacity
37	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Maintain collections level by 75% monthly.		Not maintained Average collection level of 66,34% for the year.
38	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	maintain not more than 30% for salary and wage curve of operating budget.		30.9% expenditure on salary and wage operating budget

39	TO MANAGE FINANCES EFFICIENTLY THROUGH EFFECTIVE AND REALISTIC BUDGETING	Maintain at least 4% for maintenance and repairs of the Operational budget.		Maintained at least 3.15 % of maintenance and repairs of the Operational budget.
40	To conduct workshops to assist SMMEs	Number of SMME workshops conducted to capacitate SMMEs	Conducting 4 SMME workshops to capacitate SMMEs by Dec 2012	2

Cause

The accounting officer did not align/position the responsibility to integrate and manage performance information to capacitated official/s.

Impact

- Incomplete reporting on annual performance.
- Non-compliance to MSA s.46 (1) (c).

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

The Annual Performance Report of the municipality must include remedial measures taken to improve performance.

Management response

Auditor's conclusion

No formal comment received. This will be included in the audit report on pre-determined objectives.

86. EX.98 - AOPO: Material shortcomings in performance management system at indicator level

Audit finding

MSA s. 38 (c): A municipality must administer its affairs in an economical, effective, efficient and accountable manner.

Nature

The following were established in obtaining an understanding of the performance management system in place at indicator level up to quarterly performance reporting within the municipality;

- Non existence of standard operating procedures and formalised, documented processes at development priority or objective level.
- There is an unsystematic method of reporting up to Director level which is not supported by evidence at indicator/strategic objective level.
- There are no control activities to ensure validity, accuracy and completeness of collected information for reporting purposes (i.e. evidence of review by senior personnel to weekly/monthly/quarterly reports etc)

Cause

No structured reporting/ review processes in respect of performance management at directorate level.

Impact

Validity, accuracy and completeness of information, as well as integrity of data reported cannot be ensured.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA.

Recommendation

- Standard operating procedures should be formulated for each indicator or set of indicators which outline performance management processing activities and related controls to ensure consistent application by all relevant staff.
- Management should ensure that there are controls in place to ensure validity, accuracy and completeness of reported performance information at indicator/strategic objective level.
- Management should follow a results-based, systematic approach to reporting on actual performance achieved.

Management response

Auditor's conclusion

No formal comment received. This will reported as a non-compliance matter in the audit report.

87. AOPO: Planned targets not achieved

Audit Finding

M.S.A. s.46: A municipality must prepare, for each financial year, a performance report reflecting the performance of the municipality during that financial year.

Nature

Of the total number (118) of planned targets per the Annual Performance Report, 73 were not achieved.

This represents 62% of total planned targets that were not achieved during the year under review

Cause

Management did not adequately monitor and act on under/non-performance.

Impact

Basic needs of the community and service delivery in general may be negatively impacted.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Performance of the entity is not measured against predetermined objectives, indicators and targets as required by the MSA

Recommendation

Management must monitor instances of under/non-performance and apply corrective measures in a timely manner.

Management response**Auditor's conclusion**

No formal comment received. This will be included in the audit report on pre-determined objectives.

93. INFORMATION TECHNOLOGY GOVERNANCE

IT governance is the responsibility of executive management. It is an integral part of organisational governance and consists of the leadership, organisational structures and processes that ensure that the organisation's IT resources would sustain its strategies and objectives. IT governance allows the organisation to manage IT risks and derive value from IT investments, and supports the achievement of business objectives that are dependent on IT systems.

Audit finding

IT management had not formally designed IT governance controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate. As a result, the following key financial risks were not addressed:

- An IT Strategic Plan has not been documented.
- A risk assessment has not been performed for the IT environment. Additionally, an IT risk register is not maintained.
- Service level agreements with the vendors: BCX, True Technologies and Vesta did not contain key information. *(Prior year finding)*
- No evidence could be obtained confirming the services of the vendors BCX and True Technologies are monitored and reported on.
- An IT organogram has not been documented.
- There is an overreliance on consultants for IT as all services have been outsourced and the municipality does not have any IT related posts. Additionally, IT role definitions have not been defined.

The lack of IT governance in an organisation may result in poor management of IT resources which does not support the organisation's business objectives.

Internal control deficiency

Leadership – Establishment of an IT Governance Framework

Management have not implemented controls around the governance of IT infrastructure, resources and vendors due to a lack of skills and budgetary constraints.

Recommendation

- The IT Strategic Plan should be approved by relevant stakeholders prior to implementation.
- A risk assessment should be performed for the IT environment. The risks identified should be documented and addressed in an IT risk register.
- Meetings should be held periodically to ensure vendors are providing services according to the documented contract. Corrective actions should be taken should services not be adhering to the conditions stipulated in the service level agreement.
- The approved IT structure should be implemented.
- Core IT services which are outsourced should be monitored by the municipality and IT roles should be defined.

Management response

I am in agreement with the finding and internal control deficiency:

- An IT Strategic plan will be drafted and submitted for approval.
- A risk assessment will be performed for the IT environment. The risks identified will be documented and addressed in an IT risk register.
- True Technologies and The IT Technician get together once a month to discuss internet usage and wireless connections to the various sites if there was problems and what needs to be upgraded or changed. At the same time an invoice is given to the IT technician to show the monthly internet usage this invoice is compared to TMG monthly report. Minutes will be documented.
- Agreements with the vendors, BCX, True Technologies and Vesta did not contain key information. *(Prior year finding)*
- At the time the organogram was created in 2012 the decision was made that there was no need for it as it was outsourced but after an internal audit it has now been decided it will be of importance and discussions are underway.

I am not in agreement with the finding

- BCX are at the municipality at least once a month to make changes and communicate with management about problems there are also calls logged at BCX service desk so problems are tracked and resolved

Name: Ruan Smit

Position: IT Administrator

Action date: End Of March 2013

Auditor's conclusion

Clarification regarding management comments was requested. However, revisions were not received notwithstanding several attempts made to obtain management confirmation of the factual correctness of the findings and commitments to implement corrective measures.

94. SECURITY MANAGMENT

Security management ensures that security controls are implemented to prevent unauthorised access to the network and information systems that generate the information used to prepare the financial statements.

Audit finding

IT management had not formally designed security management controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate. As a result the following key financial risks were not addressed:

- Although a Minimum Information Security Standards (MISS) Policy was in place, the policy did not include password settings, antivirus, patch management and firewall procedure and baseline configuration standards. *(Prior year finding)*
- The IT infrastructure has not been documented in a network diagram.
- There is no monitoring of administrator access for the domain, applications and databases. *(Prior year finding)*
- No evidence could be obtained to confirm database logs were enabled and periodically reviewed. *(Prior year finding)*
- No evidence could be obtained to confirm password configurations for Venus and Payday appropriately restricted access to the applications. *(Prior year finding)*
- The following password controls on the domain did not support best practices *(Prior year finding)*:

Policy	Active Directory	Best Practice
Minimum Password Length	5	8 or greater
Password History Size	2	15 or greater
Lockout Threshold in number of times	4	3

The lack of security management may result in unauthorised access to systems which may affect system integrity.

Internal control deficiency

Leadership – Implementation of policies and procedures

Management have not defined IT security procedures, processes and resources due to a lack of IT resources.

Recommendation

- The IT Security policy should document key IT configurations and be approved by relevant stakeholders.
- Administrator access should be periodically reviewed to ensure activities performed are appropriately authorised.
- The IT infrastructure should be documented in a network diagram.
- Database logs should be enabled and reviewed periodically.
- Passwords should be configured according to best practices.

Management response

I am in agreement with the finding and internal control deficiency:

- The MISS Policy will be reviewed and changes will be made
- Discussions will be scheduled and documented with BCX regarding this finding.

I am not in agreement with the finding:

- The IT Infrastructure is Documented .
- Esmarie CFO communicates with BCX via email and fax to reset Venus and E-venus passwords and create new users on the database and allocate the appropriate rights.
- The password policy and controls in place for the domain are tested and have been found best suited to this municipality as a result of numerous discussions and reviews users had problems remembering passwords and had a to write down passwords if it was too complex as you may know this could cause a more serious security threat .

Auditor's conclusion

Clarification regarding management comments was requested. However, revisions were not received notwithstanding several attempts made to obtain management confirmation of the factual correctness of the findings and commitments to implement corrective measures.

95. USER ACCESS CONTROL

User access control is the systematic process of managing the access of users to an application. The process includes the creation, review, disabling and removal of user accounts.

Audit finding

IT management had not formally designed user access controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate. As a result, the following key financial risks:

- User account management policies and procedures are documented for Venus, Payday and the domain. *(Prior year findings)*
- No process is in place for the termination of access of users on the domain, Venus and Payday. Additionally, no record is kept of the reset of user account passwords. *(Prior year findings)*
- Periodic review of user access is not performed for the domain, Venus and Payday. *(Prior year findings)*
- Logon violations are monitored for the operating system informally; as a result no evidence can be obtained as confirmation reviews are performed. Additionally, logon violations were not monitored for Venus and Payday.

The lack of user account management may result in unauthorised access to the system affecting system integrity.

Internal control deficiency

Financial and Performance Management – Formal control over IT systems

- Management have not documented, approved and implemented a user account management procedure and processes for terminating access and resetting passwords for the Venus and Payday applications and the domain due to a lack of commitment from resources.
- Management do not perform periodic reviews of user access and logon violations for Venus, Payday and the domain due to a lack of IT resources.

Recommendation

- User account management procedures should be documented, approved and implemented.
- A formal process should be implemented for the termination of access and password resets. Evidence of the authorisation of actions should be retained.
- Management should review users' access rights to ensure that their access are still commensurate to their job function on the systems and verify that adequate segregation of duties have been implemented to prevent unauthorised transactions.
- Logon violations should be reviewed and investigated if necessary.

Management response

I am in agreement with the finding and internal control deficiency:

- Policy are in place to reset and manage password, we will however review and see to a policy documentation to be implemented.

- IT Is currently in discussions with HR To manage the process and policies of termination of users contracts and managing users data when the user has left
- Violations will be documented and saved for auditing.

I am not in agreement with the finding:

- Monthly visits are performed by Pierre, Coenie and Piet to do backups system checks and to communicate with management.

Name: Ruan Smit

Position: IT Administrator

Action plan: As above

Action date: End of March 2013

Auditor's conclusion

Clarification regarding management comments was requested. However, revisions were not received notwithstanding several attempts made to obtain management confirmation of the factual correctness of the findings and commitments to implement corrective measures.

96. INFORMATION TECHNOLOGY SERVICE CONTINUITY

IT service continuity is the process of managing the availability of hardware, system software, application software and data to enable an organisation to recover/re-establish information systems services in the event of a disaster. The process includes IT continuity planning, disaster recovery plans and backups.

Audit finding

IT management had not formally designed IT service continuity controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate. As a result, the following financial risks were not addressed:

- The disaster recovery plan has been documented but not approved and implemented.
- Backup procedures are not documented. *(Prior year finding)*
- Restoration tests for backups of Venus and Payday are not performed. *(Prior year finding)*
- Although backups for Venus and Payday are stored offsite, no evidence could be obtained to confirm offsite storage. *(Prior year finding)*

The lack of IT Continuity may result in the business not being able to recover in the event of a disaster.

Internal control deficiency

Leadership – Implementation of policies and procedures

- Management have not defined, approved, implemented and tested a disaster recovery plan due to lack of IT resources.
- Management have not implemented procedures and processes for backup management for Venus and Payday due to a lack of IT resources for management of the vendor responsible for the applications.

Recommendation

- A disaster recovery plan should be documented, approved and tested periodically.
- Backup procedures should be documented, approved and implemented.
- Periodic restoration tests should be performed for backup tapes.
- Evidence of the offsite for storage of backup tapes should be retained.

Management response

I am in agreement with the finding and internal control deficiency:

- A plan will be drafted in the next year.
- Backup procedures Document is in draft form awaiting approval.
- A Document for Offsite storage is will in use as of now.
- Restoration tests for Venus and Payday will be discussed with BCX and documented

Name: Ruan Smit

Position: IT Administrator

Action date: End of March 2013

Auditor's conclusion

Clarification regarding management comments was requested. However, revisions were not received notwithstanding several attempts made to obtain management confirmation of the factual correctness of the findings and commitments to implement corrective measures.

97. PROGRAM CHANGE MANAGEMENT

Program change management controls ensure that any proposed changes to an existing information systems environment would be coordinated, scheduled, authorised and tested to prevent unnecessary disruptions, erroneous changes and unauthorised and inappropriate access to programs.

Audit finding

IT management had not formally designed change management controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate. As a result, the following key financial risks were not addressed:

- Change management procedures have not been documented. *(Prior year finding)*
- There is no process for the co-ordination, scheduling, authorisation and testing of changes. *(Prior year finding)*
- Vendor programmers have access to production and access is not monitored. *(Prior year finding)*

The lack of change management may lead to unauthorised changes to systems and infrastructure which could affect system integrity and availability.

Internal control deficiency

Leadership – Implementation of policies and procedures

- Management have not defined, approved and implemented a change management procedure and processes due to the lack of IT resources. Additionally, the lack of resources has led to vendor programmer access to the production environment.

Recommendation

- A formalised change management procedure should be documented, approved and implemented.
- A formalised process of change management should be implemented for co-ordination, scheduling, authorisation and testing of changes to systems and infrastructure. Segregation of duties should be in place for the requesting and implementation of changes.
- Vendor programmer access to production should be restricted and monitored.

Management response

I am in agreement with the finding and internal control deficiency

Discussions will be scheduled and documented with BCX regarding this finding.

Name: Ruan Smit

Position: IT Administrator

Action plan: To be added

Action date: End Of March 2013

Auditor's conclusion

Clarification regarding management comments was requested. However, revisions were not received notwithstanding several attempts made to obtain management confirmation of the factual correctness of the findings and commitments to implement corrective measures.

98. FACILITIES AND ENVIRONMENTAL CONTROL

Restrictions controlling physical access to sensitive areas and facilities safeguard information systems to ensure the security, integrity, condition, performance and accessibility of the systems and the system information. Environmental controls are implemented to protect information systems assets against environmental hazards posed by temperature fluctuations, water leakages, etc., to ensure the integrity, performance and accessibility of systems and information.

Audit finding

IT management had not formally designed facilities and environmental controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the network and information systems. Informal controls were in place, but were inadequate. As a result the following key financial risks were not addressed:

- The Minimum Information Security Standards Policy documents the restriction of access but not environmental controls for the server room. *(Prior year finding)*
- There are no generators, smoke detectors, fire detection and suppression, temperature monitors, water detectors and raised floors in the server room. *(Prior year finding)*
- The UPS and air conditioners for the server room are not serviced periodically.
- Access to the server room is not monitored and reviewed.

The lack of physical and environmental controls in the server room may result in system unavailability due to the loss or damage of IT assets.

Internal control deficiency

Leadership – Implementation of policies and procedures

Management have not implemented restricted access and environmental controls for the server room due to a lack of IT skills and budgetary constraints.

Recommendation

Management should ensure access to the server room is appropriately restricted and environmental controls are configured and periodically maintained.

Management response

I am in agreement with the finding and internal control deficiency

The Minimum Information Security Standards Policy documents the restriction of access but not environmental controls for the server room.

- There are no generators, smoke detectors, fire detection and suppression, temperature monitors, water detectors and raised floors in the server room
- The UPS and air conditioners for the server room are not serviced periodically.

1. Currently we are not in a position to make these changes.

I am not in agreement with the finding:

1. Access to the server room is not monitored and reviewed.
- Access to the server room has been monitored since March by means of keys and entrance form to be signed by person.

Name: Ruan Smit

Position: IT Administrator

Action date: End of March 2013

Auditor's conclusion

Clarification regarding management comments was requested. However, revisions were not received notwithstanding several attempts made to obtain management confirmation of the factual correctness of the findings and commitments to implement corrective measures.

ANNEXURE C: ADMINISTRATIVE MATTERS**99. EX.34 - Compliance - Draft 2011/2012 Annual Report does not comply with MFMA requirements****Audit finding**

Section 121 (4) of the MFMA states that the annual report of the municipality includes:

- a) The AFS of the entity, as submitted to the Auditor General for audit
- b) The Auditor General's audit report on those AFS
- c) The annual performance report of the municipality
- d) The accounting officer's assessment of the municipality's performance against measurable performance objectives
- e) Particulars of any corrective action taken or to be taken in response to issues raised in the audit report

MFMA 121 (3) (e) states that the annual report included an assessment by the accounting officer of any arrears on municipal taxes and service charges.

MFMA 121 (3) (d) states that the annual report included the Auditor-General's audit report in on the results of performance measurements.

Nature

The draft annual report received for the 2011/2012 financial year did not contain the following information as required by the MFMA:

- The AFS of the entity, as submitted to the Auditor General for audit;
- The Auditor General's audit report on those AFS;
- The annual performance report of the municipality;
- The accounting officer's assessment of the municipality's performance against measurable performance objectives;
- Particulars of any corrective action taken or to be taken in response to issues raised in the audit report;
- An assessment by the accounting officer of any arrears on municipal taxes and service charges; and
- The Auditor-General's audit report in on the results of performance measurements.

Cause

The annual report is still in draft phase and needs to be finalised.

Impact

Non compliance to legislation.

Internal control deficiency

Financial and performance management

Review and monitor compliance with applicable laws and regulations

Management does not prioritise on good internal control measures to ensure that the municipality complies with applicable laws and regulations.

Recommendation

The annual report should be updated to include the following:

- The AFS of the entity, as submitted to the Auditor General for audit;
- The Auditor General's audit report on those AFS;
- The annual performance report of the municipality;
- The accounting officer's assessment of the municipality's performance against measurable performance objectives;
- Particulars of any corrective action taken or to be taken in response to issues raised in the audit report;
- An assessment by the accounting officer of any arrears on municipal taxes and service charges; and
- The Auditor-General's audit report in on the results of performance measurements.

Management response

An updated version of the 2011/2012 Annual Report was submitted by the Administration Manager on 02/11/2012.

Auditor's conclusion

An updated version of the 2011/2012 annual report was received from Portia Nzimankulu (Administration Manager) and inspected. The following was noted:

- The AFS is in a pdf copy and will be included once received from Consultants;
- The AG's reports will be included once submitted by the AG;
- Annual performance report is now included;
- The Municipal Managers highlights are included (Chapter 2); and
- No assessment is still included by the accounting officer of any arrears on municipal taxes and service charges

100. EX.36 - Authorised signatories on the Bank Accounts were not updated

Audit finding

Ventersdorp Local Municipality Cash and Investment Policy

7. Investment Ethics

The following ethics must apply when dealing with financial institutions and other interested parties:

- 7.1 The Municipal Manager and Chief Financial Officer will be responsible for the investment of funds, and he/she has to steer clear of outside interference, regardless of whether such interference comes from individual Councilors, agents or any other institution.

Nature

Review of the bank confirmation received for the year ended 30 June 2012, indicated that the list of authorised signatories were not updated with the Banking institution.

JA van der Merwe (an employee that resigned from the Municipality on 30 August 2011) was still listed as an authorised signatory on the bank accounts.

Below is the list of bank accounts for which he is still a signatory:

Account no	Account type	Institution	Account Balance
3439789	Notice Deposit	Absa	436 254.12
2250000017	Current Account	Absa	1 284 801.04
4060384282	Current Account	Absa	157 187.92
9055475784	Saving	Absa	1 262 426.48
8074375155	Saving	Absa	12 230 099.16
9111051672	Saving	Absa	211 370.58

Cause

Bank accounts were not regularly reviewed and monitored to ensure compliance with applicable laws and regulations.

Impact

Withdrawals from bank accounts may be effected without proper authorization from the authorised signatories.

Internal control deficiency

Leadership

Develop and monitor the implementation of action plans to address internal control deficiencies

A properly designed control has been implemented, but is not regularly monitored in order to operate effectively.

Recommendation

The list of authorised signatories at banking institutions should be regularly reviewed and updated with resignations of employees.

Management response

Management agrees with the finding. AG can also confirm that no resigned employees signed any payments/cheques.

The signatories were corrected during October 2012

Name: E Hall

Position: ACFO

Date: 2/11/2012

Auditor's conclusion

Management comment noted. Follow up will be performed in the 2012/2013 audit on action taken.

101. EX.52 - Inadequate Cash Management and Investment policy

Audit finding

Section 13(2) of the MFMA requires that a municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).

Nature

Review of the Cash Management and Investment Policy indicated that the policy does not include steps / procedures on how withdrawals from the investment accounts will be performed. As a result internal control objectives, responsibilities and monitoring over withdrawals were not stipulated and therefore compliance thereto could not be verified.

Cause

Oversight when drafting the cash management and investment policy.

Impact

Withdrawals from investment accounts may not be authorized.

Internal control deficiency

Leadership

Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

Recommendation

Management should regularly review and update existing policies and procedures to ensure that control objectives are met.

Management response

Auditor's conclusion

No comment received. Control weakness reported.

102. EX.65 - A register detailing unauthorised, irregular, fruitless and wasteful expenditure is not maintained throughout the year

Audit finding

Section 62(c) of MFMA requires that the accounting officer of a municipality is responsible for the financial administration of the municipality and must for this purpose take all reasonable steps to ensure: That the municipality has and maintains effective, efficient and a transparent system of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards.

Nature

There is no unauthorised, irregular, fruitless and wasteful expenditure register (that details the incidents that gave rise to unauthorised, irregular, fruitless and wasteful expenditure) or any other system in place during the year to identify and monitor unauthorised, irregular, fruitless and wasteful expenditure incurred during the year.

Cause

Lack of understanding by Management of best practice control measures to ensure accurate financial reporting.

Impact

Unauthorised, irregular, fruitless and wasteful expenditure incurred during the year is not monitored throughout the year. This may result in inaccurate balances disclosed at year end.

Internal control deficiency

Leadership

Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

Management failed to establish policies and procedures to support internal control objectives.

Recommendation

Controls should be implemented and monitored during the year to ensure that the information used to compile the AFS at year end is complete, accurate and reliable.

Management response

Auditor's conclusion

No formal comment received. This will be reported as a control deficiency.

103. EX.104 - Compliance - Request for information (Unforeseen / unavoidable expenditure)

Audit finding

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—(a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;(b) any of the assets of or under the control of the auditee; or (c) any staff member or representative of the auditee.

Section 95(b) of the Municipal Finance Management Act, states that the accounting officer of the municipal entity must keep full and proper records of the financial affairs of the municipality.

Nature

The following information was requested and not received within 3 days:

Request no: 60

Date requested: 05/11/2012

Request outstanding: Schedule of all unavoidable expenditure

Cause

Inadequate monitoring of unforeseen / unavoidable expenditure

Impact

Non-compliance with the MFMA.

Internal control deficiency

Financial and Performance Management

Review and monitor compliance with applicable laws and regulations

Recommendation

The Accounting Officer should design and implement controls to ensure compliance with laws and regulations are monitored and that non-compliance is detected and corrective action taken to address.

Management response**Auditor's conclusion**

No formal comment received. This will be reported as a non-compliance matter.

104. EX.115 - Initial short list for new appointees not on file**Audit finding**

MSA sec 67(1)(a) and (b), 67(2)-(4), states that the municipality developed and adopted appropriate systems (policies) and procedures for:

- a) Recruitment, selection and appointment of staff members;
- b) Service conditions of staff

Nature

An initial short list (short list pre-interview) was not on personnel files for the appointments of the employees listed below:

Employee No	Name	Appointment date
200378	Mothupi N C	2011/10/03
200376	Mtshali P	2011/10/03
200355	Nche K I	2011/10/03
200375	Njontjo M S	2011/10/03
200373	Nkomo T M	2011/10/03
200356	Timmerman B G	2011/10/03
200354	Hlungu B E	2011/10/03
200374	Mafu S K	2011/10/03
200377	Mogano TS M	2011/10/03

Cause

Inadequate monitoring controls to ensure compliance to laws and regulations.

Impact

Non-compliance to laws and regulations. Employees that are not competent to perform functions may be employed. This may impact on the effectiveness and efficiency of the Municipality to achieve its targets.

Internal control deficiency

Financial and Performance Management

Review and monitor compliance with applicable laws and regulations

Recommendation

Controls should be implemented to ensure compliance with applicable laws and regulations. An initial short list (pre-interview) must be placed on file to balance a latter shortlist with allocation of points of the selected candidates.

Management response

Agree. These employees were appointed in the office of the mayor and were political appointments.

Name: M Human

Position: HR Manager

Date: 2012-11-16

Auditor's conclusion

Management comment noted. Internal control deficiency will be reported.

Commitments

105. EX.57 - The Commitments Register was not reviewed during the year

Audit finding

Section 62(c) of MFMA requires that the accounting officer of a municipality is responsible for the financial administration of the municipality and must for this purpose take all reasonable steps to ensure:

That the municipality has and maintains effective, efficient and a transparent system of financial and risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards

Nature

The commitments register was not reviewed during the year by a second/independent staff member to identify any possible errors or omissions.

Cause

A lack of relevant controls to ensure that adequate segregation of duties is implemented between the preparer and the reviewer.

Errors / omissions in the Commitments Register could go undetected, which may lead to both qualitative and quantitative materially misstated commitments disclosed at year end in the Annual Financial Statements.

Internal control deficiency

Leadership

Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

Policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities are not established and communicated

Recommendation

Management should design and implement an effective internal control system and monitor its effective operation throughout the period. The data captured and updated on the commitment register should be reviewed by an independent staff member to identify any possible errors and omissions - segregation of duties.

Management response

Auditor's conclusion

No comment received. Internal control weakness reported.

Employee costs

106. EX.15 - Compensation of Employee: Leave incorrectly approved

Audit finding

MFMA section 62 (c)(i) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all the reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent system of financial and risk management and internal control.

Nature

During walkthrough procedures it was identified that employee no 100292 took family responsibility leave for 3 days starting from the 10/08/2011-12/08/2011, but submitted the incorrect medical certificates (the certificate submitted was the employee's medical certificate and not the child's). The reviewer approved the leave based on the incorrect supporting document submitted.

In addition the following exceptions were identified during the audit of leave:

Annual leave taken before approval
Leave not captured on time in the system
Sick Leave granted without any supporting documentation
Sick leave not captured on time on the system
Supporting documentation for special leave taken not attached
Leave approval dates not indicated
Leave forms not on filed

The following personnel files not made available for the audit

Molebatsi B M	300102
Coetzer A P	100217
Phutiagae F C	100206
Mkhwanazi E D	100321
Sokane T	300026

Cause

Inadequate monitoring and review controls to ensure that correct information submitted is correct prior capturing to the system.

Impact

- Leave may be abused by employees if compliance is not monitored
- Leave balances might be misstated if invalid leave transactions are captured and approved.

Internal control deficiency

Financial and Performance Management

Management did not design and implement proper controls to ensure accuracy and validity of information received from employees before its captures on the system for processing.

Recommendation

Management should ensure that application for leave is submitted with relevant supporting documents and is reviewed prior approval.

Management response**Auditor's conclusion**

No management comment received. Finding will be included in management report.

Heading 1**107. EX.8 - No skills retention policy in place****Audit finding**

Section 62 (1) (c) (i) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Nature

Management has not established criteria for employee retention and considered the effect on the Municipality's operations if large numbers / key employees resign or retire in a given period.

Monitoring the competency of staff in place to ensure that skilled and competent staff are retained and assessed has also not been undertaken by the municipality.

Cause

The municipality does not demonstrate a commitment to attract, develop and retain competent individuals in alignment with objectives.

Impact

- Non-compliance with s.62. (1) (c) (i) of the MFMA; and
- Operations and internal control within the municipality could be negatively impacted should the municipality not be able to retain/assess competent and skilled personnel.

Internal control deficiency

Leadership:

Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored

Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

Recommendation

Management should develop and implement a skills retention policy which reflects the municipality's expectations of competence necessary to support the achievement of objectives.

Management should provide the mentoring and training needed to attract, develop, and retain sufficient and competent personnel to support the achievement of objectives.

Management should evaluate competence across the municipality in relation to established policies and practices and act as necessary to address the shortcomings.

Management response

Human Resource Manager agree with the finding and submitted that a skills retention policy must be drafted by the Director Corporate Services to support the municipality's achievement of objectives for training, development, sufficient and competent personnel.

Auditor's conclusion

Management comment noted. Follow up will be performed once the Skills Retention Policy has been drafted

108. EX.9 - Non- submission of information/response to request (Audit Committee Meetings €to Council)

Audit finding

Section 15.1 of Public Audit Act, states that when performing an audit referred to in section 11, the Auditor-General or an authorised auditor has at all reasonable times full and unrestricted access to—(a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;(b) any of the assets of or under the control of the auditee; or (c) any staff member or representative of the auditee.

Section 95(b) of the Municipal Finance Management Act, states that the accounting officer of the municipal entity must keep full and proper records of the financial affairs of the municipality.

Nature

Evidence could not be obtained via request for information that the following were in place:

Evidence that the minutes of the Audit Committee meetings were circulated to the council (Request No.11) as well as Council's assessment of the effectiveness of the audit committee (Request No. 13)

Cause

Insufficient controls to ensure that employees provide required information.

Impact

Non-compliance with Section 15.1 of Public Audit Act and Section 95(b) of the Municipal Finance Management Act.

We could not satisfy ourselves that the following took place:

- Audit Committee meetings were circulated to the council; and
- The council satisfied itself that the AC has effectively discharged its responsibilities in terms of its mandate for the financial year ended.

Internal control deficiency

Financial and performance management

Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Management does not adhere to good internal control measures to make sure that all information is available and accessible to support transactions on the financial records.

Recommendation

The municipality should adhere to the 3 business days waiting period as agreed upon in the terms of engagement in submitting information for audit.

Management response

the effectiveness on a council meeting in which the Audit Committee's minutes have been circulated. Council was recently informed by a workshop conducted by the Internal Audit Manager of the importance and the role of Internal Audit and the Audit Committee and it was agreed that the internal audit reports and the minutes of the committee submitted to the municipal manager will be tabled in council for awareness and comments.

Auditor's conclusion

Management's response noted. Formal questionnaire compiled by auditors and issued to council to evaluate audit committee's effectiveness as part of our audit procedures. (request #23).

The requests seek to establish that there is interaction and provision of oversight function to the Council by the Audit Committee. These questionnaires have not been received, therefore unable to conclude on the effectiveness of the audit committee.

109. EX.14 - Deficiencies Identified: Training of employees

Audit finding

Note

Municipal System Act section 68 Capacity building states that:

“(2) A municipality may in addition to any provision for a training levy in terms of the Skills Development Levies Act, 1999, make provision in its budget for the development and implementation of training programmes;

(3) A municipality which does not have the financial means to provide funds for training programmes in addition to the levy payable in terms of the Skills Development Levies Act, 1999, may apply to the Sector Education and Training Authority for local government established in terms of the Skills Development Act, 1998, for such funds.”

The Ventersdorp Local Municipality Skills Development Policy states that, *"Ventersdorp Local Municipality has an obligation to educate, train and develop its employees. The Council accepts this responsibility by establishing and maintaining a learning environment that respects and accommodates the values and cultures of its employees and community at large."*

Nature

During the audit we confirmed that management has not performed the following relating to training and development:

- The knowledge, skills, and abilities needed for various jobs have not been identified and made known to employees;
- The municipality did not have an approved training programme to meet the needs of all employees during the year under review; and
- The municipality budgeted for but did not pay for any internal training of employees during the year under review.

Cause

The Municipality does not emphasize the need for continuous training and has no control mechanism to ensure that all employees receive appropriate training internally.

Impact

Personnel may not be equipped with the necessary expertise needed to adequately execute their responsibilities.

Internal control deficiency

Leadership

Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored..

Recommendation

- A training programme should be established that includes orientation programmes for new employees and ongoing training for existing employees.
- The municipality should provide training and counseling internally in order to help employees maintain and improve their competence for their jobs.

Management response

Human Resource Manager agree to the finding and submitted that a training program will be compiled.

Auditor's conclusion

Management response acknowledged. Audit finding remains.

Inventory

110. EX.18 - Inventory: Inventory not adequately safeguarded

Audit finding

Section 63(1) (a) of the MFMA states that, *"the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets."*

Nature

During our performance of the physical inventory verification and enquiries with the store keeper, it was confirmed that the alarm system to oversee security over inventory at night is no longer functioning effectively. This may result in inventory not being adequately safeguarded at night or when the storekeeper is not on the premises. It was also confirmed that the previous CFO left with the keys to the storeroom, and that locks were not changed thereafter, which may result in unauthorised entry to the storeroom by outside parties.

Cause

Lack of controls to ensure that inventory is safe guarded.

Impact

This might result in possible theft and/or misappropriation of inventories that are stored in the store room.

Internal control deficiency

Leadership

- Management did not provide effective leadership based on a culture of honesty, ethical business practices and good governance, protecting and enhancing the interests of the entity
- Ongoing review not performed over effectiveness of physical access controls.

Recommendation

Management should implement adequate controls to ensure that inventory in the storeroom is safeguarded against theft and/or misappropriation as follows:

- Only authorised personnel should have access to the store room;
- Inventory should be locked in the store room at all times;
- Inventory movements should be authorised and approved by relevant seniors; and
- The Municipality should perform monthly inventory counts and compare to the inventory records. Variances should be followed up and resolved regularly.

Management response

Agreed. The keys and locks have now been changed.

Auditor's conclusion

Management response is noted. Follow up procedures will be performed during next year audit.

Movable assets

111. EX.122 - PAID stamp: Improper cancellation of supporting documentation

Audit finding

Section 62 (1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—
(c) That the municipality has and maintains effective, efficient and transparent systems—
(i) of financial and risk management and internal control; and
(ii) Of internal audit operating in accordance with any prescribed norms and standards;

Nature

During evaluation of internal control processes we were informed that the PAID stamp is used to cancel supporting documentation on payments that have been processed on the system. It has been noted that only the payment voucher which can be reprinted is stamped, the actual invoice from the service provider is not stamped with the PAID stamp.

Furthermore the date stamp for the receipt of the invoice is only "done" on the purchase requisition and not on the actual invoice.

Below is examples of transactions that were not cancelled with the "PAID" stamp:

Date	Description	Amount	Segment
2012/06/19	ELECTRIFICATION HOUSEHOLDS APPELDRAAI	291,898.00	ELECTRICITY

27/06/2012	INTERNAL ROAD BOIKHUTSO	573,030.00	PUBLIC WORKS
31/10/2011	INTERNAL ROAD THING EXT3	211,400.00	PUBLIC WORKS
31/10/2011	INTERNAL ROAD THING EXT3	759,960.94	PUBLIC WORKS
26/06/2012	INTERNAL ROAD WELGEVONDEN	974,061.61	PUBLIC WORKS
2012/05/31	INTERNAL ROAD WELGEVONDEN	901,960.57	PUBLIC WORKS
2012/03/13	BULK WATER PROJECT	204,847.85	WATER/RETICULATION
2012/03/13	BULK WATER PROJECT	1,794,459.62	WATER/RETICULATION
2012/06/29	BULK WATER PROJECT	179,353.07	WATER/RETICULATION
2012/01/20	Furniture for Acting CFO	12,175.80	FINANCE
2011/08/15	Isuzu Tipper Truck	559,744.00	PUBLIC WORKS
2011/08/02	Bell Backhoe loader - TLB 315J 4x4	525,000.00	CEMETRY
2012/02/11	Proline Computer Set	19,485.26	Finance

7,007,376.72

Cause

Management does not monitor adherence to internal control put in place

Impact

Invoices might be resubmitted for payment resulting in duplicate payments
The municipality might incur penalties for late payment which will be based on the invoice date and not the date of receipt

Internal control deficiency

Financial and performance management
Implement controls over daily and monthly processing and reconciling of transactions

Recommendation

All supporting documentations should be cancelled with the PAID stamp
The invoice should be stamped with the date when the invoice is received.

Management response

Agree. Invoices will be stamped in future, and not the payment vouchers

Name: E Hall
Position: ACFO
Date: 16 November 2012

Auditor's conclusion

Management comment noted. Internal control deficiency reported.

Operating expenditure

112. EX.49 – SCM: No written delegation of authority

Audit finding

MFMA section 79 states that:

- 1) The accounting officer of a municipality—(a) must, for the proper application of this Act in the municipality's administration, develop an appropriate system of delegation that will both maximise administrative and operational efficiency and provide adequate checks and balances in the Municipality's financial administration;
- (3) A delegation in terms of subsection (1)—(a) must be in writing

Nature

Based on enquiries with management it was noted there is no written delegation of authority for SCM processes

Cause

Management does not monitor compliance with applicable laws and regulations

Impact

Fraudulent activities might be detected with no one to take accountability since there is no written delegation

Non compliance with MFMA

Internal control deficiency

Leadership

Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities

Management did not design and implement proper controls to ensure understanding and execution of internal control objectives, processes and responsibilities.

Recommendation

Management should obtain a clear understanding of the MFMA requirements in order to identify non-compliance, correct it and monitor it throughout the period.

Management should ensure that a written delegation of authority is in place for SCM Officials.

Management response

Agree. Management is currently in the process to create a SoD

Name: E Hall

Position: Acting CFO

Date: 16 November 2012

Auditor's conclusion

Management comment noted.

113. EX.55 - Supply Chain Management: Roles and responsibilities are not clearly assigned

Audit finding

MFMA S 115(1)(b) take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system are in place to minimise the likelihood of fraud, corruption, favouritism and unfair and irregular practices

Nature

During evaluation of Supply Chain Management (SCM) internal control systems it was noted that roles and responsibilities have not been clearly assigned in writing for the management and co-ordination of the supply chain unit. Upon enquiry with management we were informed that roles and responsibilities are outlined in the official's job descriptions.

A file on job descriptions was obtained and it was noted that the following officials in SCM unit had the following designations which are not part of SCM unit.

No.	Name	Service no.	Designation
1	JM Ratlotlong	100269	Secretary/ Personal assistant
2	K Modise	100072	Senior clerk Revenue

Furthermore there are no procedure manuals or formal training specific to SCM in place to guide officials on SCM processes.

Cause

Officials were transferred to SCM unit without following proper procedures
Lack of funding to provide adequate training

Impact

Supply Chain Management officials might not take accountability and responsibility for their actions and the fund might not have any grounds to take necessary actions.
Lack of knowledge and skill will result to improper SCM processes being followed

Internal control deficiency

Leadership

Establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes, and responsibilities

Recommendation

Management should ensure that roles and responsibilities in supply chain unit are clearly assigned in writing to promote accountability
Procedure manuals for SCM processes should be developed
Management should implement effective controls by ensuring that SCM official are provided with the necessary training relevant to their roles.

Management response

Agree. Job Descriptions should be reviewed as a matter of urgency.

Name: M Human

Position: HR Manager

Date: 2012-11-16

Auditor's conclusion

Management comment noted. Control deficiency reported.

114. Revenue Management: No supporting documents for payment arrangement made on Re-Connection**Audit Finding**

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorized auditor has at all reasonable times full and unrestricted access to—(a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the auditee;(b) any of the assets of or under the control of the auditee; or (c) any staff member or representative of the audit.

Credit control and debt collection policy Part 13 states that the reconnection or reinstatement of terminated or restricted services as follows:

Services to defaulting accountholders terminated or restricted in terms of part 11 (Notice of Default and intended termination or restriction of services) of the Policy shall be reconnected or reinstated by the municipal manager only when all the following conditions have been met:

The arrear account has been paid in full, including the interest raised on such account; or an acceptable arrangement has been made with the municipal manager for the payment of the arrear account, including the interest raised on such account;

The charge(s) for the notice sent in terms of part 11 (Notice of Default and intended termination or restriction of services) of the Policy and for the reconnection or reinstatement of the terminated or restricted service(s), as determined by the council from time to time, have been paid in full;

A service contract has been entered into with the municipality, as contemplated in part 7 (Service Contract) of the Policy; and

A cash deposit, as determined by the Chief Financial Officer, has been lodged with the municipality in compliance with part 8 (Payment of Deposits) of the Policy

Nature

Application forms for re-connection of stated applicants that were not submitted as per request 66 on the 05 November 2012.

No	Vote Number	Name	Receipts No	Date	Amount
1	1025502155101	MOGOROSI SA	28005	20110718	400.00
2	1025502155101	MAGAGA	28417	20110804	300.00
3	1025502155101	JOHANNAH JANTJIES	31917	20120109	250.00

No submission of service contract or any payment arrangement made between the consumer and the municipality for reconnection of electricity.

No	Vote Number	Name	Receipts No	Date	Amount
3	1025502155101	MOGOROSI SA	28005	20110718	400.00
4	1025502155101	E SEGWE	74164	20110721	1,000.00
6	1025502155101	MAGAGA	28417	20110804	300.00
7	1025502155101	JOHANNAH JANTJIES	31917	20120109	250.00

Cause

There are no controls in place that caters for terminations of services or reconnections as required by the Credit control and Debt collection policy.

Impact

Revenue is not recovered fully because consumer debtors use the municipality's services without making payments or arrangements.

The municipality will therefore incur services costs for which there is no recoverability.

Control Deficiency

Leadership:

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

The accounting officer/accounting authority does not exercise oversight responsibility over reporting and compliance with laws and regulations

Recommendation.

The Credit Control and Debt Collection policy should be implemented and adhered to, as it serves as a guideline for defaulting account holders and will ensure that Revenue is recovered

Management response

Name:

Position:

Date:

107. Revenue Management: New connection application forms not submitted Requirement

Section 15.1 of Public Audit Act, states that When performing an audit referred to in section 11, the Auditor-General or an authorized auditor has at all reasonable times full and unrestricted access to—(a) any document, book or written or electronic record or information of the auditee or which reflects or may elucidate the business, financial results, financial position or performance of the

auditee;(b) any of the assets of or under the control of the auditee; or (c) any staff member or representative of the audit.

MFMA Section 62 (1) states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure:

b) That full and proper records of the financial affairs of the municipality are kept.

Nature

During the audit of new connection the application forms for the following applicants were not submitted for the audit purpose as per request 66 that was issued on the 05 November 2012.

No	Vote Number	Receipts No	Date	Amount
1	9000039030033	90941	20110921	1,402.60
2	9000039030035	91013	20110927	829.18
3	9000039030038	91740	20111019	829.20
4	9000039030042	32127	20120110	972.40
5	9000039030046	74274	20120116	1,898.00
6	9000039030051	34263	20120404	1,420.40
7	9000039030053	34342	20120405	250.00
8	9000039030066	96947	20120516	378.90
9	9000039030066	97171	20120521	1,420.40
10	9000039030074	89389	20110714	829.18
11	9000039030078	89389	20110720	829.18

The following application forms for new connection were not signed by the responsible person as proof of authorisation.

No	Vote Number	Receipts No	Date	Amount
1	9000039030034	29413	20110923	829.18
2	9000039030040	96909	20120515	1,420.40
3	9000039030048	94833	20120227	829.15
4	9000039030049	95234	20120328	640.60
11	9000039030077	27878	20110714	7,215.73

Cause

Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Inadequate monitoring and authorizing of information.

Impact



Information not received will result in a limitation of scope.

If the mentioned information is not available, it will also result in non-compliance to the MFMA sec 62 (1) and the PAA sec 15 (1)

Control Deficiency.

Financial and performance management:

Proper record keeping and record management; the documents supporting the above are properly filed and easily retrievable.

Recommendation

Management must ensure that all documentation requested by the auditors is submitted for audit purposes.

Management must ensure that the application forms for new connection are signed as proof of authorization.

Management response

Auditor's response

No formal comment received. This will result in a qualification on the service charges as the existence of customers cannot be verified.

108. EX.120 - SCM officials have not formally signed the SCM code of conduct

Audit finding

Section 62 (1) The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—
(c) That the municipality has and maintains effective, efficient and transparent systems—
(i) of financial and risk management and internal control; and
(ii) Of internal audit operating in accordance with any prescribed norms and standards;

Nature

During the evaluation of SCM processes it was noted that the municipality has implemented a code of conduct for SCM officials, however no evidence could be obtained to verify that SCM officials have formally signed the code.

Cause

The above is as a result of management's failure to develop and implement effective controls

Impact

Non-compliance with the provisions of the SCM policy by SCM officials.
Supply Chain Management officials might not take accountability and responsibility for their actions and the fund might not have any grounds to take necessary actions.

Internal control deficiency

Leadership

Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls

Recommendation

Management should familiarise SCM staff with the contents of the SCM policy, this could be in the form meetings and trainings.

SCM officials should formally sign the SCM code of conduct

Management response

Auditor's conclusion

No formal comment received. Internal control deficiency reported.

ANNEXURE D: FINANCIAL INDICATORS

BUDGETS

Indicator reference	Financial statement amounts	Adjustments for material uncorrected misstatements	Financial statement amounts after adjustments for material uncorrected misstatements
	2011/12 R'000	2011/12 R'000	2011/12 R'000
Final approved operating expenditure budget	105 449 000		105 449 000
Under/(over) spending of the final approved operating expenditure budget	-9 140 587		-9 140 587
Final approved capital budget	34 622 000		34 622 000
Under/(over) spending of the final approved capital budget	10 950 081		10 950 081
			2011/12 %
Percentage over spending of the final approved operating expenditure budget	1.1		8.7%
Percentage under spending of the final approved capital budget	1.2		31.6%

EXPENDITURE MANAGEMENT

Indicator reference	Financial statement amounts	Adjustments for material uncorrected misstatements	Financial statement amounts after adjustments for material uncorrected misstatements
	2011/12 R'000	2011/12 R'000	2011/12 R'000
Accounts payable	49 565 724		49 565 724
Total purchases	56 551 884		56 551 884
			2011/12 Days
Creditor-payment period (Accounts payable ÷ Total purchases x 365)	2.1		320

CONDITIONAL GRANTS

		Financial statement amounts 2011/12 R'000	Adjustments for material uncorrected misstatements 2011/12 R'000	Financial statement amounts after adjustments for material uncorrected misstatements 2011/12 R'000
Conditional grants received		34 537 418.9		34 537 418.9
Under/(over) spending of the conditional grants received		18 022 823		18 022 823
Unspent conditional grants received at year-end		19 666 137		19 666 137
Cash and cash equivalents / (bank overdraft) at year-end		15 585 478		15 585 478
				2011/12 %
Percentage under-spending of conditional grants received	3.1			52.2%
Percentage by which unspent conditional grants received exceed cash available at year-end	3.2			26.2%

REVENUE MANAGEMENT

	Indicator reference	Financial statement amounts 2011/12 R'000	Adjustments for material uncorrected misstatements 2011/12 R'000	Financial statement amounts after adjustments for material uncorrected misstatements 2011/12 R'000
Accounts receivable (before impairment)		34 224 935		34 224 935
Debtors impairment provision at year-end		12 773 877		12 773 877
Total revenue for services rendered for the year		37 396 011		37 396 011
Debtors written-off for the year		10 728 482	0	10 728 482
				2011/12 Days
Debtor-collection period (Days) (Accounts receivable [before impairment] ÷ Total revenue for services rendered x 365)	4.1			334
Debtor-collection period (Days) (Accounts receivable [after impairment] ÷ Total revenue for services rendered x 365)	4.2			209

	Indicator reference	Financial statement amounts	Adjustments for material uncorrected misstatements	Financial statement amounts after adjustments for material uncorrected misstatements
				2011/12 %
Debtors impairment provision at year-end as a percentage of accounts receivable	4.3			37.3%
Debtors written-off for the year as a percentage of total revenue for services rendered for the year	4.4			28.7%
				2011/12 %
Material water losses (Total of technical/real/physical losses plus non-technical/apparent/commercial losses; i.e. portion of total input into system/volume available not able to be billed)	4.5			Limitation
Material electricity losses (Total of technical losses plus non-technical losses; i.e. portion of total input into system/kWh available not able to be billed)	4.6			Limitation

ASSET AND LIABILITY MANAGEMENT

	Indicator reference	Financial statement amounts 2011/12 R'000	Adjustments for material uncorrected misstatements 2011/12 R'000	Financial statement amounts after adjustments for material uncorrected misstatements 2011/12 R'000
Total revenue for the year		110 534 838		110 534 838
Total expenditure for the year		99 390 471		99 390 471
Surplus / (deficit) for the year	5.1	11 144 367	0	11 144 367
Total current assets		41 207 412		41 207 412
Total current liabilities		76 894 590		76 894 590
Net current assets / (liabilities)	5.2	-35 687 178	0	-35 687 178
Total non-current assets		115 741 696		115 741 696
Total non-current liabilities		28 782 181		28 782 181
Net non-current assets / (liabilities)		86 959 515	0	86 959 515
Total assets		156 949 108	0	156 949 108
Total liabilities		105 676 771	0	105 676 771

	Indicator reference	Financial statement amounts	Adjustments for material uncorrected misstatements	Financial statement amounts after adjustments for material uncorrected misstatements
Net assets / (liabilities)	5.3	51 272 337	0	51 272 337
Cash and cash equivalents / (bank overdraft)	5.4	0	0	0
Year-end carrying amount of the category(ies) of PPE that were subject to impairment				0
Year-end carrying amount of the category(ies) intangible assets that were subject to impairment				0
		0	0	0
Year-end carrying amount of investments, if subject to impairment				0
Year-end carrying amount of loan receivables (loans awarded), if subject to impairment				0
		0	0	0
PPE impairment provision at year-end		0	0	0
Intangible assets impairment provision at year-end		0	0	0
		0	0	0
Investments impairment provision at year-end		0	0	0
Loan receivables (loans awarded) impairment provision at year-end		0	0	0
		0	0	0
Long term employee benefit obligations		4 102 095		4 102 095
Net cash in- / (out-) flows from operating activities		42 310 008		42 310 008
				2011/12 %
PPE and intangible assets impairment provisions at year-end as a percentage of the carrying amount of the category(ies) of PPE and intangible assets subject to impairment	5.5			-
Loan receivables (loans awarded) and investments impairment provisions at year-end as a percentage of the carrying amount of investments and loans subject to impairment	5.6			-
				2011/12 Ratio
Long-term debt to operating cash flows ratio	5.7			0.7
Employee benefit obligations to operating cash flow ratio	5.8			0.1